

## Arthur J. Gallagher: White Paper

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### Current Situation

In June, 2015 the Governmental Accounting Standards Board (GASB) approved new accounting standards for governmental entities providing postemployment benefits other than pensions. With this conversion comes significant change in the way government employers must recognize and measure their liability. **GASB 45 (Accounting for unfunded plans) will be replaced by GASB 75** and we are here to help you understand the changes that are going on.

### Why Arthur J. Gallagher?

We understand that you are looking for professional consultants to provide you with a timely and transparent retiree valuation. Arthur J. Gallagher is here to assist you with those needs. We have partnered with ISBA to streamline this process and provide you with a quality valuation that is 1) cheaper compared to our competitors and 2) to determine your liabilities under the new standards and if possible, create strategies to mitigate them. We will also guide you throughout the audit process to make it administratively easier for your staff.

### Effective Dates

These standards will become effective for fiscal years starting after June 15, 2016 for funded plans (GASB 74) and June 15, 2017 for unfunded plans (GASB 75).

### Major Change in Accounting Techniques and Recognition

- The postretirement liability will now become a balance sheet item.
  - o Formerly, this was recognized in the notes to the financial statements. This change will result in much more immediate recognition of OPEB related expenses in the entity's financial statements.
- The most commonly used attribution method (Projected Unit Credit) will no longer be permitted.
  - o The new standards require the "Entry Age Normal as a percent of salary" method.
  - o This has the potential to increase a client's liability significantly (5 – 15%).
- The new standard requires more robust disclosures of assumptions and methodology
  - o This is less of a concern for the client, however consultants should prepare their clients for a greater demand of detailed information required for their retiree health plans (example: better tracking of historical participation information).

### Timing of Valuations (applicable to governmental entities under 200 lives)

Historically, if an employer had under 200 lives (eligible for or currently receiving retiree benefits), a full valuation was required every 3 years. **GASB 74 and 75 now require a full valuation to be performed every 2 years.**

**Healthcare Analytics Consulting is here to help!** If you need assistance with your postretirement valuation, we are here to help, and to provide further clarification of the upcoming changes. Please contact Christopher Diorio (Christopher\_Diorio@ajg.com or Direct Line: 609-436-4874) for any questions or concerns you may have!