

## GASB 45 FREQUENTLY ASKED QUESTIONS

### WHAT IS GASB 45?

The Governmental Accounting Standards Board (GASB) issued Standard Number 45 to require governmental entities, including public school districts, to identify the cost of health benefits offered to retirees younger than age 65. The rule also required that districts estimate the cost impact that differing age groups have on the benefits provided. This estimation of impact, referred to as "valuation," primarily involves medical coverage, but may also apply to life insurance, dental insurance and vision benefits.

### WHEN DOES IT GO INTO EFFECT?

Three phases of implementation impact school districts around the state. Phase I districts had to have GASB 45 valuations completed by the end of FY 2008 (June 30, 2008). Districts in Phase II are due at the end of the current fiscal year, FY 2009 (June 30, 2009). Phase III schools must have their valuation report complete by the end of FY 2010 (June 30, 2010).

### WHAT MUST WE DO?

If your district is in Phase II, meaning your annual revenues are between \$10 and \$100 million, it is important to begin immediately with the process of selecting an actuary to prepare the valuation. The valuations are completed by certified actuaries and while some auditing firms may have in-house services, most often these services are provided by third-party actuarial and benefit consulting firms. Time is running short for Phase II districts to complete the valuation by June 30, 2009. If you are unsure of what phase your district falls under, you should consult with your school district auditor immediately.

### WHAT INFORMATION DOES A VALUATION INCLUDE?

Districts with greater than 100 members in the early retirement plan must have a full valuation. The information necessary to complete this includes an accurate employee census of both active and retired individuals; health and other benefit information as required by the actuary (for self-insured benefits, usually two years of claims data is required and for fully-funded insurance plans, often only participation and benefit levels are required); and any board- or school policy-related documents to any early retirement benefit provided by the district (usually over the last 10 years). Districts with fewer than 100 members may have a simplified valuation performed; the information required, and hence cost, is much less. Employee demographic information is required as well as basic benefit information.

### WHAT DATA SHOULD WE EXPECT FROM THIS?

Districts should expect a written actuarial valuation report from the firm performing the analysis and a phone consultation with the firm. The analysis should detail the long-term costs of each benefit provided and should provide all of the disclosures required by GASB 45.

### WHY DO WE NEED THIS?

First, it's required that school districts in Iowa prepare their financial statements according to GASB guidelines. Second, it will give districts across the state the ability to see the full amount of early retirement benefits provided by the district and their cost impact through the life of the early retirement program. Third, it will help identify significant cross-subsidization between age groups in benefit plans. This is beneficial in utilizing different benefit designs to reduce utilization in the long-run.

### HOW OFTEN DO WE NEED TO DO THIS?

Districts with 200 or more members must have the valuation performed every two years. Districts with less than 200 members must have the valuation performed every three years.

### HOW MUCH IS THIS GOING TO COST?

It varies depending on the number of early retirement programs provided, benefits covered and types of insurance plans the district offers. It is best to plan early and get information on costs and services provided by vendors to get a true apples-to-apples comparison as costs and services provided can vary.