Accounting Bulletin #2005-02

SUBJECT: Implementation of GASB Statement No.45 - Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions

Effective per Implementation Schedule

Date: December 30, 2005

GASB Statement #45, published in June 2004, has phase-in periods established for implementation beginning with reporting periods after December 15, 2006. School entities are required to follow the guidance in this Statement beginning with the applicable phase-in period. This bulletin is to provide you with general guidance for your implementation; due to the level of detail in this Statement, an in-depth analysis will not be provided. A copy of Statement #45 (Statement) and other GASB statements are available on GASB's website [www.gasb.org].

Overview

GASB 45 establishes accounting procedures for employer reporting to entities with a defined benefit plan or a defined contribution plan that provide other postemployment benefits (OPEB), not including pensions. A defined benefit plan specifies the benefits to be provided at or after separation from employment. A defined contribution plan is one that (1) provides an individual account for each plan member, and (2) specifies how contributions to an active plan member's account are to be determined.

OPEB represent an exchange of salaries and benefits for employee services rendered and is part of the compensation for those services. Examples of OPEB include: postemployment healthcare benefits - whether provided as part of a defined benefit plan or as a separate payment (medical, dental, vision, hearing); and benefits provided separately from a defined plan (such as life insurance, disability and long-term care).

Note: Incentives offered by employers to accelerate the termination of employee services, referred to as termination offers and benefits, are not included as OPEB for purposes of this Statement. GASB Statement #47, released in June 2005, should be referenced when accounting for termination benefits.

Employers with Defined Benefit OPEB Plans

The annual OPEB cost and net obligation should be equal to the annual required contributions (ARC) of the employer based on an actuarial valuation. The frequency of this valuation varies depending on the plan's membership. Furthermore, the Statement allows an alternative cost measurement basis depending on the type of employer.

OPEB expense/expenditures include contributions related to the ARC and accrual or payments of OPEB-related debt. Related costs for OPEB and ARC should be adjusted as discussed within the Statement. The basis of accounting for OPEB expenditures varies by type of fund: governmental funds should be recognized on the modified accrual basis while expenditures from proprietary funds should be recognized on the accrual basis. For the government-wide statements, OPEB costs are also recognized on the accrual basis.

Employers with Defined Contribution Plans

These employers should recognize OPEB expense/expenditures equal to their required contributions in accordance with the terms of their plan. Recognition basis is again accrual or modified accrual, depending on the fund used to report the contributions. OPEB liabilities or assets are the difference between contributions required and contributions made, and should not be offset in the financial statements.

Effective Date

The effective dates for implementation are based on the phase-in criteria used for GASB Statement #34, *based on annual revenues*, and are as follows.

- $100 million or more – beginning after December 15, 2006
- $10 million or more, but less than $100 million – after December 15, 2007
- Less than $10 million – after December 15, 2008

If you require additional details, please refer to the Statement. General questions regarding this bulletin may be directed to the School Finance staff within the Office of Comptroller Operations at Ra-Schlfin@state.pa.us