



citycounty insurance services
cisoregon.org

MEMBER UPDATES & ANNOUNCEMENTS

GASB 75:

New Requirement, New Help from CIS

This is to update you on CIS' plans to help your entity comply with Governmental Accounting Standards Board (GASB) Statement 75. The new requirement, effective for the fiscal year ending June 30, 2018, involves accounting for post-retirement benefits other than pensions. These are generally medical benefits offered to retirees.

Here are the key takeaways from this information:

- The new GASB 75 accounting requirement means that all public entities that offer benefits must now have an actuarial valuation to determine their liability. *This includes entities that are "community rated" — e.g. in the EBS or AOCIT pool for groups under 100.*
- CIS is here to help CIS Benefits members comply with the requirement by contracting with an actuary. For members with CIS medical coverage, we will provide data to the actuary and pay for the first valuation.
- You don't need to do anything right now. In late summer, after the contract with the actuary is in place, CIS will provide members with more information and a timeline for action.

Funding for the actuarial studies necessary for members with CIS medical coverage to comply with GASB 75 has been approved by the CIS Board of Trustees.

What are the post-employment benefit liabilities?

GASB 75 calls on public employers to account for the costs they will incur to provide benefits to their current and future retirees. Those costs come in two ways: (1) the direct cost of premiums that an employer pays on the retiree's behalf, and (2) the impact that claims from retirees on the employer's medical plan have on the active employees' premiums. Retiree claims are generally 1.5 to 2 times higher than the claims of active employees.

QUESTIONS:

If you have questions, please contact CIS Chief Financial Officer Mike Mischkot at 503-763-3830.

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Although most members don't pay premiums for their retired employees' coverage, ORS 243.303 requires that all retirees under the age of 65 be offered the coverage they had as an active employee. To the extent the employer pays some or all of the premium, it is considered an "explicit" subsidy by GASB. The impact that the retirees' claims have on the costs for active employees' insurance is considered an "implicit" subsidy.

What is different under GASB 75?

The predecessor of GASB 75 — GASB 45 — allowed public entities that were "community rated," rather than having rates based on their experience, to avoid accounting for the implicit subsidy. GASB 75 changes that, requiring that all entities account for implicit and explicit subsidies.

CIS Assistance

Since 2006, CIS has had a contract with Milliman to prepare the actuarial valuations required by GASB 45. Members that want the valuation contract with CIS, and CIS in turn provides the necessary information to Milliman to support the calculation.

The same process is planned for GASB 75. CIS has issued an RFP for an actuarial firm; the successful firm will be chosen by the Board of Trustees in August. After the actuarial contract is in place, CIS will contact members to arrange for the valuations.

Like the current GASB 45 agreement, the GASB 75 public contract will be available to LOC and AOC members that are not CIS Benefits members, at the city or county's own expense.

[Click here](#) for a letter prepared by Milliman with more details about GASB 75 and its accounting treatment. The letter is aimed at finance officials and auditors.

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