



PERiSCOPE

Public Employee Retirement Systems

In June 2015, the Governmental Accounting Standards Board (GASB) issued three new standards for accounting and financial reporting. This PERiScope article will discuss important dates and timing regarding the new standards. For details about the new liability calculations and changes to financial statements, including transition guidance, please see the other installments in this series.

GASB 73/74/75: Timing considerations for compliance with new financial reporting rules

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GASB Statement No. 73 pertains to accounting and financial reporting for pension plans that are either not administered through trusts or that have trusts not meeting the requirements of GASB Statement No. 68. Statement No. 73 also covers financial reporting for assets accumulated to pay such pension benefits and contains clarifying language for certain provisions in Statement Nos. 67 and 68.

GASB Statements Nos. 74 and 75 mandate changes to the way liabilities are reported on financial statements for state and local governments with other postemployment benefits (OPEB) obligations. GASB Statement No. 74 replaces GASB Statement No. 43 and sets forth standards of financial reporting for OPEB plans. GASB Statement No. 75 replaces GASB Statement No. 45 and sets forth standards for financial reporting and accounting for governmental employers with OPEB plans. The changes are designed to standardize the way OPEB expense is calculated and displayed in order to enhance disclosure and facilitate decision-making.

To allow employers and plan administrators time to consult with service providers, gather additional information, and update financial reports, the standards have delayed implementation dates as shown in Figure 1.

Did you know? Milliman's GASB 73/74/75 Task Force is releasing a miniseries on technical and implementation issues surrounding GASB 73, 74, and 75. Each article will be released through PERiScope. Look for the following articles in coming months:

- Depletion Date Projections
- Balance sheet items and projections from valuation date to measurement date
- Long-term expected investment returns and the money-weighted rate of return
- Calculation of OPEB expense
- GASB 73
- Revised ASOP 6 and Community Rated Plans
- Alternative Measurement Method

Visit milliman.com/GASB-73-74-75 for the latest resources on the new statements.

FIGURE 1: GASB IMPLEMENTATION DATES

GASB STATEMENT NO.	EFFECTIVE DATE
73	Fiscal years beginning after June 15, 2015 (financial reporting for assets accumulated for purposes of providing pension benefits not within the scope of GASB Statement No. 68)
	Fiscal years beginning after June 15, 2016 (accounting and financial reporting for employers and non-employer contributing entities that fund pensions not within the scope of GASB Statement No. 68)
	Fiscal years beginning after June 15, 2015 (accounting and financial reporting for employers and pension plans within the scope of GASB Statement Nos. 67 and 68)
74	Fiscal years beginning after June 15, 2016
75	Fiscal years beginning after June 15, 2017

Dates and definitions

There are several important dates to consider when calculating and reporting OPEB liability: the reporting date, actuarial valuation date, and measurement date. In general, the date rules for GASB Statement Nos. 73 and 75 will be the same, with the exception of the effective dates as discussed above.

The *reporting date* is the fiscal year end (FYE) for the plan or employer.

The *actuarial valuation date* is the date as of which an actuarial valuation or specified alternative measurement is performed. Actuarial valuations are required to be done at least every two years, and greater frequency is encouraged. For plans covering fewer than 100 employees, the specified alternative measurement method may be used. The alternative measurement method permits simplification of some assumptions as compared with a full actuarial valuation.

The actuarial valuation used as a basis for liabilities cannot be too old. For plan reporting, the actuarial valuation must have been performed as of a date no more than 24 months prior to the plan's FYE.¹ For employer reporting, the actuarial valuation must have been performed as of a date no more than 30 months and one day prior to the employer's FYE.²

The *measurement date* is the date as of which the net OPEB liability is measured. For purposes of GASB Statement No. 74, this measurement date must be the same as the plan's FYE (reporting date). For purposes of GASB Statement Nos. 73 and 75, the measurement date may be selected from a range starting no earlier than the end of the employer's prior FYE and ending no later than the employer's current fiscal year. Once the date is chosen, it must be consistently applied from period to period.³

It is generally advantageous for employers to choose a measurement date coincident with the plan's measurement date. This means that data collection and liability valuation can be done once. If an employer does not currently have the same measurement date as the plan, changing the employer's measurement date should be considered in order to lessen the administrative burden.

When the actuarial valuation date differs from the measurement date, the most recent actuarial valuation (or specified alternative measurement) must be projected to the measurement date using standard actuarial techniques. If any significant plan events take place between the date of the most recent actuarial valuation and the measurement date, they must be accounted for in the projection calculations. A new valuation may need to be performed if the changes are judged to be of sufficient magnitude.

1 See GASB Statement No. 74, paragraph 41.
 2 See GASB Statement No. 75, paragraph 28.
 3 See GASB Statement No. 75, paragraph 27.

Putting the pieces together

To see how employers and plans can comply with the new standards, let's look at some examples.

In Figure 2, financial statements are prepared for an OPEB plan with a FYE of December 31, 2017. Because the fiscal year began after June 15, 2016, GASB Statement No. 74 will apply. The employer will not need to reflect the provisions of GASB Statement No. 75 in its own financial statements at this time, as that Statement is effective only for employers' fiscal years beginning after June 15, 2017.

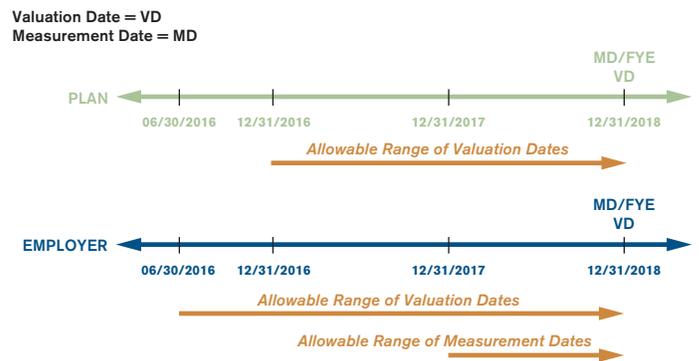
FIGURE 2: GASB STATEMENT NO. 74 TIMELINE FOR OPEB PLAN



Actuarial valuations are performed every two years for the plan, and the most recent valuation was as of December 31, 2016. Because the measurement date must equal the plan's FYE, the valuation results will be projected to December 31, 2017. Any significant plan-related events must be reflected in the projection. Note that the valuation was performed within the permissible 24-month period immediately prior to the plan's FYE.

Next, Figure 3 shows timelines for a plan and employer that share the same FYE of December 31, 2018. Now both the plan and the employer are subject to the new standards. An actuarial valuation performed as of December 31, 2018 will now be the basis for liabilities.

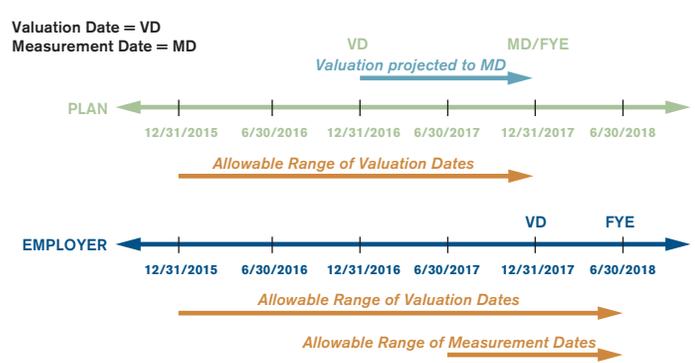
FIGURE 3: GASB STATEMENT NOS. 73 AND 75 TIMELINES FOR EMPLOYER AND OPEB PLAN WITH EQUAL MEASUREMENT DATES



The employer selects a measurement date of December 31, 2018 to coincide with the plan's measurement date. This will minimize the need for additional data collection when preparing the statements, because asset values and liabilities for the plan are already known at that date and can be incorporated directly into the employer's statements.

What if a plan and an employer have different FYEs? Figure 4 shows timelines for a plan with FYE December 31, 2017 and an associated employer with FYE June 30, 2018. For purposes of GASB Statement No. 74, the plan must select December 31, 2017 as its measurement date. Because the most recent actuarial valuation for this plan was completed as of December 31, 2016, that valuation will be projected one year to the measurement date.

FIGURE 4: GASB STATEMENT NOS. 73 AND 75 TIMELINES FOR EMPLOYER AND OPEB PLAN WITH DIFFERENT MEASUREMENT DATES



Under GASB Statement Nos. 73 or 75, the employer may choose a measurement date within the period ranging from its prior year FYE to its most recent FYE. In this case, the employer will select December 31, 2017 as the measurement date, which falls within the allowable range from July 1, 2017 to June 30, 2018. This date is selected because it is most efficient for the employer and the plan to share the same measurement date. Many employers will not wish to go to the time and expense of gathering plan asset and liability values for the plan as of a second date in the year, unless there is some other consideration that merits different measurement dates.

Next steps

Employers and plan administrators should be aware of timing for the new accounting standards. Minimize additional data gathering by choosing coincident plan and employer measurement dates when possible. Recall that the employer measurement date should be consistently applied from year to year. Finally, allow extra time for service providers and staff members to gather information and review the new rules when preparing the new statements.

For more information, please see the other GASB 73/74/75 PERiScope articles in this series. Your Milliman consultant will be glad to answer questions.

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