

Governmental Accounting Standards Board (GASB) Statement 45

What is GASB 45?

Public employers are now required to account for and report on the cost of providing health care and other non-pension benefits to their current and future retirees.

In 2004, the Governmental Accounting Standards Board (GASB) released Statement 45 (GASB 45) concerning health care and other non-pension benefits for retired public employees. GASB 45 strongly encourages public sector employers to set aside funds for non-pension benefits instead of the current "pay-as-you-go" approach.

The intent of GASB 45 is to bring governmental accounting standards more in line with private company standards. Though GASB has no power to change how governments fund retiree health care, pension and other benefits, it does govern the rules that auditors must follow in providing governmental financial statements.

How does GASB 45 affect Aptos/La Selva Fire Protection District?

The fire district has employment agreements in place that provide for post retirement health benefit cost sharing until the retired employee attains age 65. GASB 45 requires disclosure of the total projected cost of this employee benefit on the audited financial statements. Along with the disclosure of the cost, the district has to explain how it intends to pay for that liability.

In August 2009 the district obtained a new actuarial analysis of the projected cost of the employee post retirement health benefit. The actuary reported that an annual contribution of approximately \$90,000 per year would be required to fund the benefit. Each year the fund will pay out the current year retiree benefits and receive an additional funding contribution. In FY 2009-10 the payout is projected to be \$55,400.

The district has established and funded a GASB 45 trust fund with CalPERS. The funds are invested in the CalPERS California Employer's Retiree Benefit Trust.

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