

Gasb 75 Implementation Guide

Timing Options *(continued)*

▶ Sample actuarial valuation/reporting schedule

Date	Year 1	Year 2
Reporting Date (FYE)	4/30/2019	4/30/2020
Valuation Type	Full	Roll-forward
Valuation Date	4/30/2018	Same as prior
Measurement Date	4/30/2018	4/30/2019



Gasb 75 Implementation Guide is an essential resource for state and local governments that are required to report on their other post-employment benefits (OPEB) liabilities. This guide, established by the Governmental Accounting Standards Board (GASB), outlines the accounting and financial reporting requirements for OPEB, which includes health care benefits and other non-pension benefits provided to retirees. Understanding and implementing GASB 75 is crucial for compliance and accurate financial reporting, which ultimately impacts the financial health and transparency of governmental entities.

Overview of GASB 75

GASB 75, which took effect for reporting periods beginning after June 15, 2017, replaced the previous standards set by GASB 45. The primary objective of GASB 75 is to improve the accounting and financial reporting for OPEB, ensuring that government entities recognize the long-term liabilities associated with these benefits more accurately.

Key Changes from GASB 45 to GASB 75

The transition from GASB 45 to GASB 75 introduced several significant changes:

1. **Recognition of OPEB Liabilities:** Under GASB 75, entities must recognize the total OPEB liability on the balance sheet, rather than merely disclosing it in the notes. This change enhances transparency regarding the financial obligations of the government.

2. **Measurement of OPEB Liabilities:** The OPEB liability must be measured using a single actuarial cost method, which results in a more consistent approach across different entities.
3. **Discount Rates:** GASB 75 provides specific guidelines on how to determine the discount rate for OPEB liabilities, requiring that it reflects the long-term rate of return on investments for plans that are funded.
4. **Reporting Changes:** The new standards necessitate changes in the way governments report OPEB expenditures in their financial statements, which can affect budget planning and resource allocation.

Implementation Steps for GASB 75

Implementing GASB 75 can be a complex process for governmental entities. To ensure compliance, organizations should follow these steps:

1. **Assess Current OPEB Plans:** Review existing OPEB plans and determine the types of benefits offered, eligibility criteria, and funding mechanisms.
2. **Gather Data:** Collect necessary data related to demographics, benefit provisions, and historical costs. This data will be critical for actuarial valuations.
3. **Select an Actuary:** Engage a qualified actuary to perform the actuarial valuation of the OPEB liabilities. The actuary should be familiar with GASB 75 requirements.
4. **Conduct Actuarial Valuation:** The actuary will calculate the total OPEB liability, considering factors such as demographic assumptions, benefit payments, and discount rates.
5. **Prepare Financial Statements:** Based on the actuarial valuation, prepare the financial statements, ensuring that the total OPEB liability is recognized in the balance sheet.
6. **Provide Required Disclosures:** Include required disclosures in the notes to the financial statements, detailing the OPEB plan's funding status, actuarial assumptions, and any significant changes in the plan.
7. **Review and Adjust:** After initial implementation, it is essential to review the process regularly and adjust as needed based on changes in assumptions, benefits, or demographic data.

Challenges in Implementing GASB 75

While the implementation of GASB 75 is necessary for compliance and financial transparency, several challenges can arise:

1. **Data Collection:** Collecting accurate and comprehensive data can be time-consuming and complicated, especially for larger government entities with multiple plans.
2. **Actuarial Expertise:** Finding an actuary with the necessary expertise in OPEB and GASB standards

may be challenging, leading to potential delays.

3. **Cost Implications:** The financial implications of implementing GASB 75 can be significant, including costs associated with actuarial services, data management, and staff training.

4. **Understanding New Standards:** Staff may require training to fully understand the nuances of GASB 75, which can lead to additional time and resource demands.

5. **Public Perception:** The recognition of significant OPEB liabilities may affect how stakeholders view the financial health of the government entity, potentially influencing bond ratings and public trust.

Best Practices for Compliance with GASB 75

To navigate the challenges of GASB 75 implementation effectively, entities can adopt several best practices:

1. **Develop a Comprehensive Plan:** Create a detailed implementation plan that outlines timelines, responsibilities, and key milestones.

2. **Engage Stakeholders:** Involve key stakeholders, including finance staff, HR, and legal counsel, in the planning and implementation process to ensure all aspects of OPEB are considered.

3. **Regular Training:** Provide ongoing training for staff on GASB standards and OPEB reporting requirements to ensure everyone is up to date.

4. **Utilize Technology:** Leverage technology and software solutions to streamline data collection and reporting processes, making it easier to manage and analyze OPEB data.

5. **Communication:** Maintain clear communication with stakeholders, including employees, retirees, and the public, regarding the implications of OPEB liabilities and how they are being managed.

Conclusion

The GASB 75 Implementation Guide is a crucial resource for governmental entities navigating the complexities of OPEB reporting. By understanding the key changes from GASB 45, following a structured implementation process, and adhering to best practices, entities can ensure compliance while maintaining transparency and accountability in their financial reporting. Despite the challenges posed, successful implementation of GASB 75 can lead to improved financial health and public trust, as stakeholders gain a clearer understanding of the government's long-term obligations and financial strategies.

Frequently Asked Questions

What is GASB 75 and why is it important?

GASB 75, issued by the Governmental Accounting Standards Board, establishes accounting and financial reporting standards for other post-employment benefits (OPEB) other than pensions. It is important because it enhances the transparency and accountability of governments regarding their OPEB liabilities.

When did GASB 75 become effective?

GASB 75 became effective for periods beginning after June 15, 2017, meaning that most governmental entities had to adopt its provisions for their fiscal year ending in 2018 or later.

What are the key changes introduced by GASB 75 compared to previous standards?

GASB 75 requires governments to recognize their OPEB liabilities on the balance sheet, rather than disclosing them in the notes, which aligns OPEB accounting more closely with pension accounting standards introduced by GASB 68.

How does GASB 75 impact the financial statements of governmental entities?

GASB 75 impacts financial statements by requiring the recognition of the total OPEB liability and the related deferred outflows and inflows of resources, which can significantly affect a government's net position and financial ratios.

What are the major compliance requirements for implementing GASB 75?

Major compliance requirements include measuring the total OPEB liability, recognizing it in the financial statements, providing detailed disclosures about OPEB plans, and reporting changes in the liability over time.

What resources are available for entities implementing GASB 75?

Entities can access various resources including the official GASB website, implementation guides, training sessions, webinars, and consulting services provided by accounting firms specializing in governmental accounting.

What are some challenges entities face when implementing GASB 75?

Challenges include accurately measuring the OPEB liability, understanding complex actuarial calculations, ensuring compliance with the new reporting requirements, and the potential financial impact on their budgets.

Can you explain the term 'total OPEB liability' as defined by GASB 75?

The total OPEB liability is the actuarially determined present value of projected benefit payments for OPEB, adjusted for service credits and the effects of expected future salary increases, which must be recognized on the balance sheet.

How does GASB 75 affect the management of OPEB plans?

GASB 75 affects management by necessitating a closer examination of OPEB plans' funding strategies, encouraging more strategic planning to manage liabilities, and promoting better communication about the implications of OPEB costs on overall financial health.

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As resources allow, the GASB staff responds to technical inquiries about governmental accounting and financial reporting to support the uniform application of generally accepted ...

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Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit ...

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Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information ...

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Summary - Statement No. 96 - GASB

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Summary - Statement No. 102 - GASB

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An Implementation Guide may also address issues related to the application of a standard to specific industries. Generally, a GASB Statement, Interpretation, or Technical Bulletin would ...

GASB Exposure Draft Implementation Guide No. 20XX-1 (Chapter 6)

A—Statement 31, as amended, applies to regulated entities just as do all other GASB pronouncements. Regulated operations guidance in Statement 62 may be applied to activities ...

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Unlock the essentials of GASB 75 with our comprehensive implementation guide. Discover how to navigate compliance and optimize financial reporting. Learn more!

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