



# Office of the State Actuary

*“Securing tomorrow’s pensions today.”*

## Office of the State Actuary GASB 45 Alternative Measurement Method Tools Explanation and Directions Version 2.0 – August 6, 2009

### What should I know about using this tool?

- ◆ **Download The File** – When clicking on the link on the website, please download the Excel file to your computer; problems sometimes arise when you attempt to open it directly from the internet.
- ◆ **Do Not Insert, Delete, or Modify Cells** – The program will not run correctly if there have been any modifications.
- ◆ **Enable Macros** – The macro security setting needs to be set on medium or low for the program to run (Tools→Macros→Security→Medium). This is Excel 2003 directions (other versions may vary). For Excel 2007, there should be a tan strip across the top of the screen when you open Excel – please allow the macros to run.
- ◆ **Inputs are Your Responsibility** – There has been effort by OSA to screen unreasonable inputs into the tool. However, the ultimate responsibility of the accuracy of the inputs, and in effect the results, falls on the user of the tool.
- ◆ **System Requirements** – You must have Excel installed on your computer.
- ◆ **Problems Could Arise** – We are still new to creating Excel files that many different people can use. We have tested it on a variety of Excel versions and computer settings. However, we are sure people will have strange things happen. Please let us know if something strange happens. If possible, press the “print screen” button on your keyboard, open “Paint,” paste the picture of the screen, and send it to us.

### What is this tool?

The Office of the State Actuary (OSA) has developed an interactive-Excel tool for use by local governments. The tool allows certain employers to satisfy accounting requirements without hiring an actuary, in line with GASB 45. Essentially, this tool breaks up the state-wide accounting results from our PEBB and LEOFF 1 reports and determines each employer’s share.



This tool provides:

- ◇ A recap of the inputs you provided.
- ◇ The main actuarial results for GASB 45.
- ◇ A breakdown of the source of the liability.
- ◇ Annual cost projections under expected and altered scenarios.

### **Who should use this tool?**

- ◆ We intend the use of this tool for employers who either employ LEOFF 1 members or participate in PEBB.
- ◆ Employers with less than 100 total members can use this tool to satisfy accounting requirements under GASB 45.
- ◆ Employers with 100 or more total members may use this tool to estimate their liability in order to determine materiality.
- ◆ Any employer who is interested in the future annual costs of providing subsidies for their retirees' health care.
- ◆ LEOFF 1 employers who have not set aside money to pre-fund future benefits. The assumptions in the model do not hold for employers who have set aside money.

### **What doesn't the tool do?**

- ◆ GASB 45 does not allow the tool to be used by employers with more than 100 total members for accounting requirements – only for determining materiality.
- ◆ The tool does not necessarily satisfy all accounting requirements – please see GASB statement no. 45 for any additional disclosures.
- ◆ OSA does not know how future events will unfold. This tool only provides OSA's best estimate of future costs based on a number of different economic and demographic assumptions.

### **What methods and assumptions are used?**

- ◆ The methods and assumptions used are in line with the PEBB 2008 and LEOFF 1 2007 Medical reports issued by OSA, unless noted otherwise.
- ◆ While the assumptions used are reasonable, other assumptions could also be reasonable and could result in materially different results.



**I can't figure something out, who can I contact?**

- ◆ If you have a problem with the tool, or the inputs for the tool, contact Troy Dempsey at OSA at [Dempsey.troy@leg.wa.gov](mailto:Dempsey.troy@leg.wa.gov).
- ◆ If you have questions regarding GASB 45, any expectations dealing with reporting requirements, or the materiality test, contact Phil Parks of the State Auditor's Office at [parksp@sao.wa.gov](mailto:parksp@sao.wa.gov).