



# Office of the State Actuary

*"Securing tomorrow's pensions today."*

## **GASB 45 Tools Explanation and Directions Version 5.0 – March 27, 2014**

### **SIGNIFICANT CHANGES TO THE TOOL**

This version of the tool adds functionality to address the impact of the excise tax enacted by the federal Patient Protection and Affordable Care Act (PPACA).

PPACA levies a 40 percent excise tax on employers for the value of health plan costs that exceed certain thresholds starting in the year 2018. Plans that exceed this threshold are considered high cost or "Cadillac" health plans. This tool allows the user to calculate costs with or without the excise tax included in the medical inflation trend.

**The inclusion of this excise tax in the tool does not represent tax advice or an opinion that this tax applies to the user's plan(s). Please consult your auditor or tax advisor for further information.**

### **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** – For Excel 2010 or greater, 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, but have tested the tools on a variety of Excel versions and computer settings. Please let us know if you observe any errors. If possible, press the "print screen" button on your keyboard, open the Paint program, paste the picture of the screen into the email, 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 in Washington State. The tool allows certain employers to satisfy accounting requirements without hiring an actuary, in line with GASB 45. Essentially, this tool breaks up the statewide 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.
- ❖ All PEBB employers and LEOFF 1 employers with less than 100 total members can use this tool to satisfy accounting requirements under GASB 45.
- ❖ Eligible employers with 100 or more total members may use this tool to estimate their liability in order to determine materiality.
- ❖ Eligible employers who are interested in the future annual costs of providing subsidies for their retirees' health care.
- ❖ Eligible 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?**

- ❖ The tool cannot 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 2013 and LEOFF 1 2011 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 OSA at [actuary.state@leg.wa.gov](mailto:actuary.state@leg.wa.gov).
- ❖ If you have questions regarding GASB 45, any expectations dealing with reporting requirements, or the materiality test, contact Debra Burleson of the State Auditor's Office at [Debra.Burleson@sao.wa.gov](mailto:Debra.Burleson@sao.wa.gov).