



Commonwealth of Massachusetts
**DEPARTMENT OF HOUSING &
COMMUNITY DEVELOPMENT**

Deval L. Patrick, Governor ◆ Timothy P. Murray, Lt. Governor ◆ Tina Brooks, Undersecretary

Public Housing Notice 2010-04

To: Local Housing Authority Executive Directors
From: Bruce Siegel, Senior Housing Auditor *BS*
Subject: GASB 45 Implementation
Date: February 24, 2010

This notice will hopefully answer many of your questions regarding the implementation of GASB 45. For those of you who have already completed, or at least started the process, congratulations. For the rest of you, I hope to make it as painless as possible. First a brief refresher. GASB is an acronym for the Government Accounting Standards Board. The Board issued Statement 45 in July 2004 requiring government employers of all sizes to measure and disclose the value of non-pension post-employment benefits. These benefits are collectively referred to as "other post-employment benefits", or OPEB, and may include post-retirement medical, prescriptions, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. GASB 45 requires the accrual method of accounting, rather than pay-as-you-go, which means that the employer must account for the present value of future OPEB costs, including OPEB for current and future retirees.

Procurement/Vendor Selection

The DHCD accounting manual requires GAAP accounting, which means all LHA's must comply with GASB 45. A traditional actuarial study for a small or mid-sized plan may cost several thousand dollars. A streamlined solution was developed by the GASB with smaller government bodies, such as Local Housing Authorities, in mind. It is called the "Alternative Measurement Method" (AMM). The AMM is an acceptable approach for most government entities with fewer than 100 plan members. It has the added benefit of being low-cost, relative to a traditional actuarial valuation, and it can provide the necessary information quickly.

If you have federal programs, and you or the accounting firm that prepares your single audit feels a traditional actuarial study is appropriate, you may do so. However, be prepared to spend approximately \$4,000 to \$6,000. The cost must be prorated between your state and federal programs. For those of you who fall into this category, here are the names of three companies that are either now working, or have worked with an LHA.

Primoris Benefit Advisors, Inc.
100 Linwood Ave. Suite 201
Colchester, CT 06415
(860) 537-9080

Aon Consulting
One Federal St.
Boston, MA 02110

USI Consulting Group
95 Glastonbury Blvd.
Glastonbury, CT 06033
(860) 652-1020

As I stated previously, the GASB 45 Alternative Measurement Method (AMM) is a streamlined approach, which allows government entities to comply for a fraction of the cost of a traditional actuarial valuation. The only criterion to use this method is that you have fewer than 100 plan members. It should be noted that this approach does not come with the hand-holding a traditional valuation might provide, but the online self-help tools have customer service staff that can answer questions and provide guidance, if necessary. Here are the names of two companies that can perform the Alternative

Measurement Method. From a cost standpoint, the first is the least expensive at \$1,500. I recommend that you research both, discuss them with your auditor, and decide which one is best for you.

GASB 45 AMM
3100 Beacon Blvd.,
West Sacramento CA 95691
(800) 266-3382
www.gasb45amm.com

Milliman
80 Lambertson Rd.
Windsor, CT 06095
(860) 687-0121
www.gasb45help.com

It should be noted that there is a third option available for smaller housing authorities. Two or more LHA's may form a purchasing coalition that can negotiate substantial discounts from a single actuarial firm. In an effort to reduce your cost, be sure to ask about it.

HAFIS Changes

GASB 45 does not require funding of the Other Post-Employment Benefits (OPEB) liability. It only requires employers to measure and disclose the value of that liability. You will continue as before, paying only the current year's cost of benefits. However, the future liability will be transparent as it gets reported on your financial statements. In order to achieve that transparency, the Department (DHCD) has implemented the following changes to its Housing Authority Financial Information System (HAFIS).

- Operating Statement 051-1
 - Account #4541, line 39, "Employee Benefits – GASB 45" will be used to record the expense portion of the liability.
- Balance Sheet 051-2
 - Account #2339.1, "Accrued OPEB Liability" This is the account for non-current OPEB. This represents future liability, and will be used to record the short term portion.
 - Account #2806, "Net Assets – Unrestricted (excluding OPEB Liability)" will indicate the current level of the unrestricted net assets.
 - Account #2806.1, "Net Assets – Unrestricted for OPEB Liability" This takes into consideration the amount set aside for OPEB, which generally reduces the "true" unrestricted net assets.
- Analysis of Net Assets 051-6
 - Line 21, "GASB 45 Current Year Expense (Line 39 Form 051-1)" has been added.
- Operating Subsidy/Full Reserve Analysis – Appendix C to 051-1
 - Line 3, Adjusted Net Income now includes "Add GASB 45 Current Expense (Line 39 Form 051-1).
- Budget Request
 - Account #4541, line 39, "Employee Benefits – GASB 45" will be used to record the expense portion of the liability.

Finally

All Local Housing Authorities must implement GASB 45. DHCD cannot approve an across-the-board exemption to cover the cost of the state portion. Regardless of the method you choose, remember; if you have federal programs, prorate the cost of the study accordingly. Please refer to the current Budget Guidelines regarding your approved ANUEL, projected operating reserve levels, and the use of operating reserves to cover expenses.

You must begin to implement GASB 45 as soon as possible. Please call or email your Housing Management Specialist with the name and address of the firm you choose. If you have already executed a contract, please provide the date it was executed, the contract cost, and the method chosen (Full Actuarial Study or AMM).

Thank you for your anticipated cooperation. If you have any questions, you may call Bruce Siegel, Senior Housing Auditor at 617-573-1235.