


Item No. 9



Date: December 27, 2011

To: GCT Board of Directors

From: Steve L. Rosenberg 
Director of Administrative Services

RE: Consider Staff Proposal to Initiate a GASB 45 Actuarial Valuation

I. EXECUTIVE SUMMARY

In 2006 the Governmental Accounting Standards Board (GASB) issued Standard Number 45 to require governmental entities to identify the cost of non-pension post-employment benefits (commonly referred to as OPEB) offered to retirees. This requires the entity to obtain an actuarial valuation and incorporate its future obligation into its financial disclosures. GASB 45 does not require these future obligations to be funded; it only requires that the projected cost associated with non-pension postemployment benefits be calculated and reported.

The only non-pension post-employment benefit GCT offers is the CalPERS medical plan, as provided under the California Public Employees' Medical and Hospital Care Act (PEMHCA). Under PEMHCA, GCT pays the minimum employer contribution for retirees using the unequal method, which allows a gradual twenty-year buildup to the full minimum employer contribution by increasing by 5% per year. In 2012, GCT's eleventh year in the plan, the CalPERS minimum monthly employer contribution is \$112 per participant and GCT's monthly contribution for annuitants is \$61.60 ($\$112 \times 5\% \times 11$).

GCT has a very small number of annuitant participants; a data extract recently provided by CalPERS shows that of fifty-five (55) retirees from SCAT/GCT since 2000, only six participate in GCT's CalPERS medical coverage. GCT's annual pay-as-you-go costs for retiree medical benefits are clearly immaterial now and project to remain so over the next several years. For that reason GCT has not to this point initiated a GASB 45 actuarial analysis and subsequent disclosure.

As a result of the increasing public scrutiny this issue continues to receive, staff recently initiated an informal discussion of this position with GCT's outside audit firm, Charles Z. Fedak & Co. While our auditor concurs that GCT's current OPEB costs are immaterial and project to remain so over the next several years, some public agencies have

received startlingly high valuations relative to their current costs. Staff and GCT's auditors have jointly concluded that the prudent approach would be to recommend that GCT initiate an actuarial valuation study to quantify GCT's OPEB obligations as of June 30, 2011. Staff will present the conclusions of the study to the Board when it is complete.

II. SUMMARY AND RECOMMENDATIONS

It is recommended that the Board approve the staff recommendation that GCT initiate a GASB 45 actuarial valuation study to be completed during FY 2011-12.

Concurrence:



Steven P. Brown
General Manager