

# Retiree Health Insurance and Other OPEB

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*The views expressed in this presentation are those of Mr. Mead. Official positions of the GASB on accounting matters are determined only after extensive due process and deliberation.*

# What Is the GASB?

- Governmental Accounting Standards Board (GASB) establishes generally accepted accounting principles (GAAP) for the 90,000 U.S. state and local governments
- Fellow standards setter with the Financial Accounting Standards Board (FASB) under the aegis of the Financial Accounting Foundation (FAF) – all three are not-for-profit, non-governmental entities located in Norwalk, CT
- GASB was created in 1984 by agreement between the FAF and nine prominent public sector professional associations

# What Is OPEB?

- Other **p**ost**e**mployment **b**enefits – all benefits promised to employees other than pensions
- Principally, retiree health insurance – but also life insurance, disability, legal services, and other benefits
- Includes payments made to insurance companies on behalf of retirees, payments to retirees, and subsidizing retiree premiums by allowing them to be insured in the same group as the active employees

# What Does the GASB Require?

- In 2004, the GASB required that governments begin to measure their long-term obligations and annual costs associated with OPEB
- Governments are required to disclose the amounts in the notes to the financial statements
- The expense and expenditure amounts reported in the financial statements are based on that measurement
- Governments report a liability – the net OPEB obligation or NOO – on the face of the financial statements if their contributions fall short of actuarial calculations
- Note disclosures and supplementary schedules

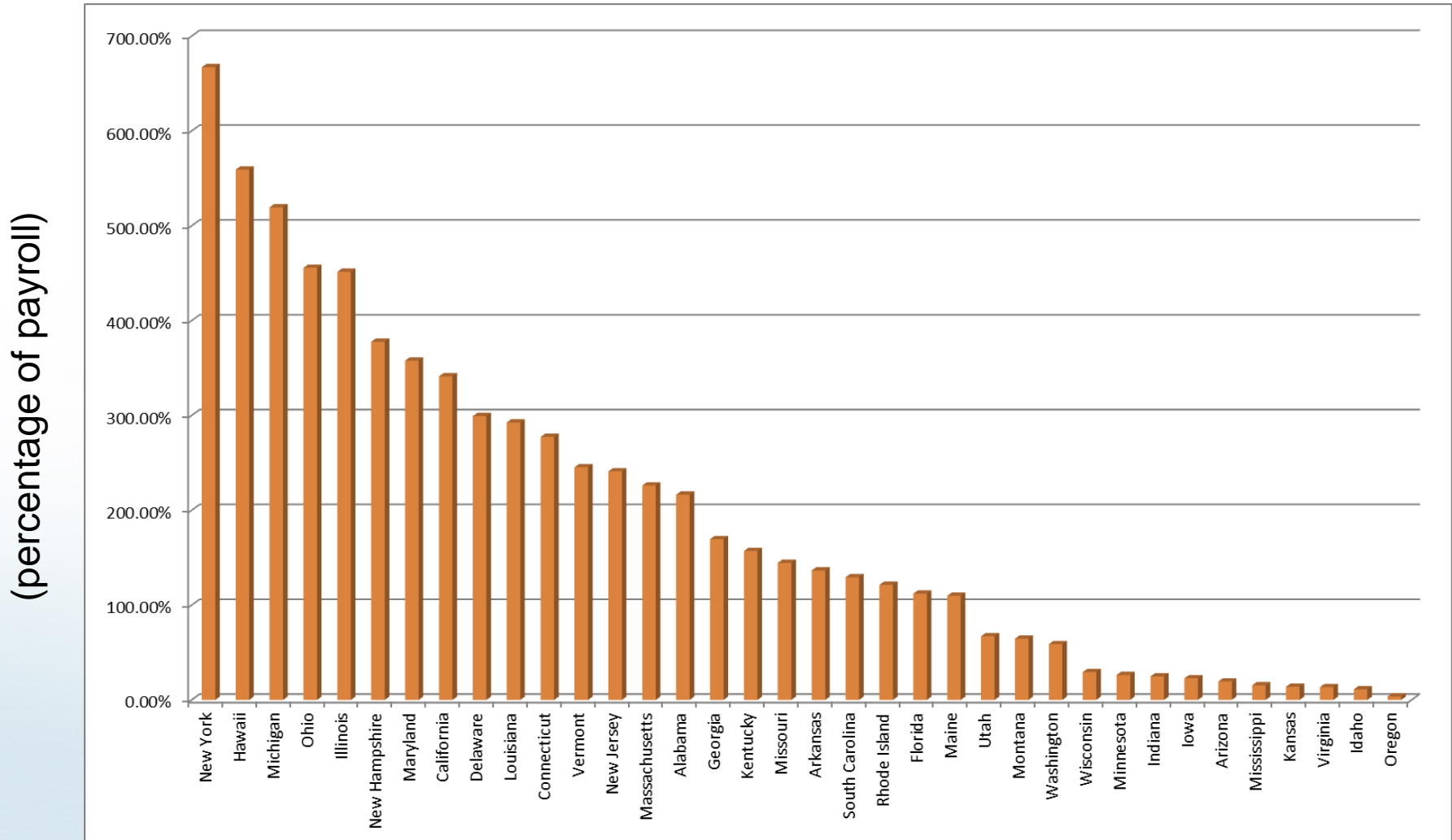
# What Do Governments Owe for OPEB? (selected state plans)

California	\$ 63,842	Hawaii	\$ 8,606
New York	\$ 59,668	Delaware	\$ 6,283
New Jersey	\$ 48,900	Connecticut	\$ 5,862
Illinois	\$ 33,295	New Jersey	\$ 5,562
Connecticut	\$ 20,953	New York	\$ 3,079
Michigan	\$ 16,384	Illinois	\$ 2,595
Hawaii	\$ 11,706	South Carolina	\$ 2,192
South Carolina	\$ 10,140	New Hampshire	\$ 1,715
Massachusetts	\$ 9,371	California	\$ 1,714
Virginia	\$ 5,084	Michigan	\$ 1,658

(in millions)

(divided by population)

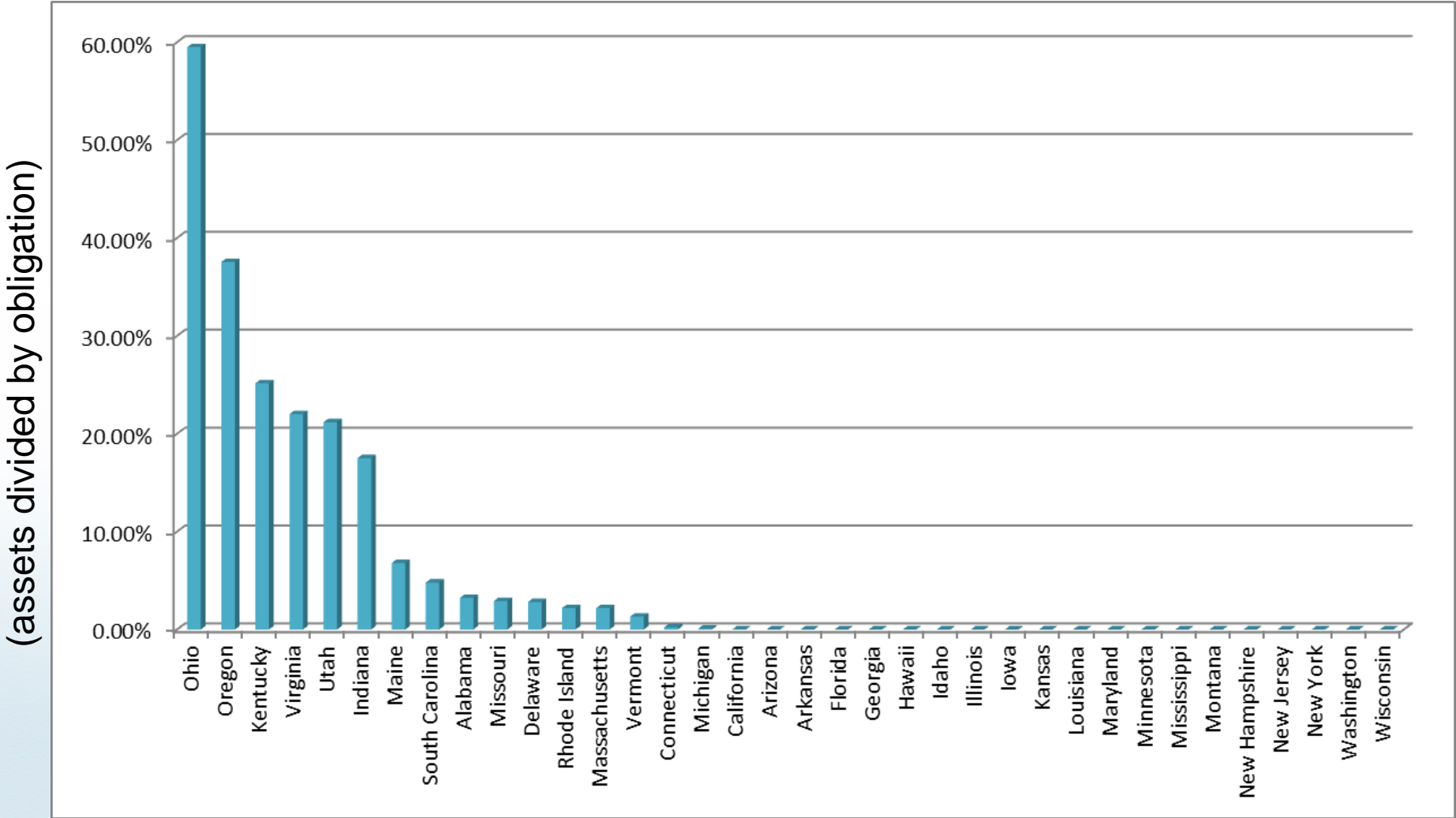
# How Big Is the OPEB Obligation? (selected state plans)



# Why Is the OPEB Obligation So Big?

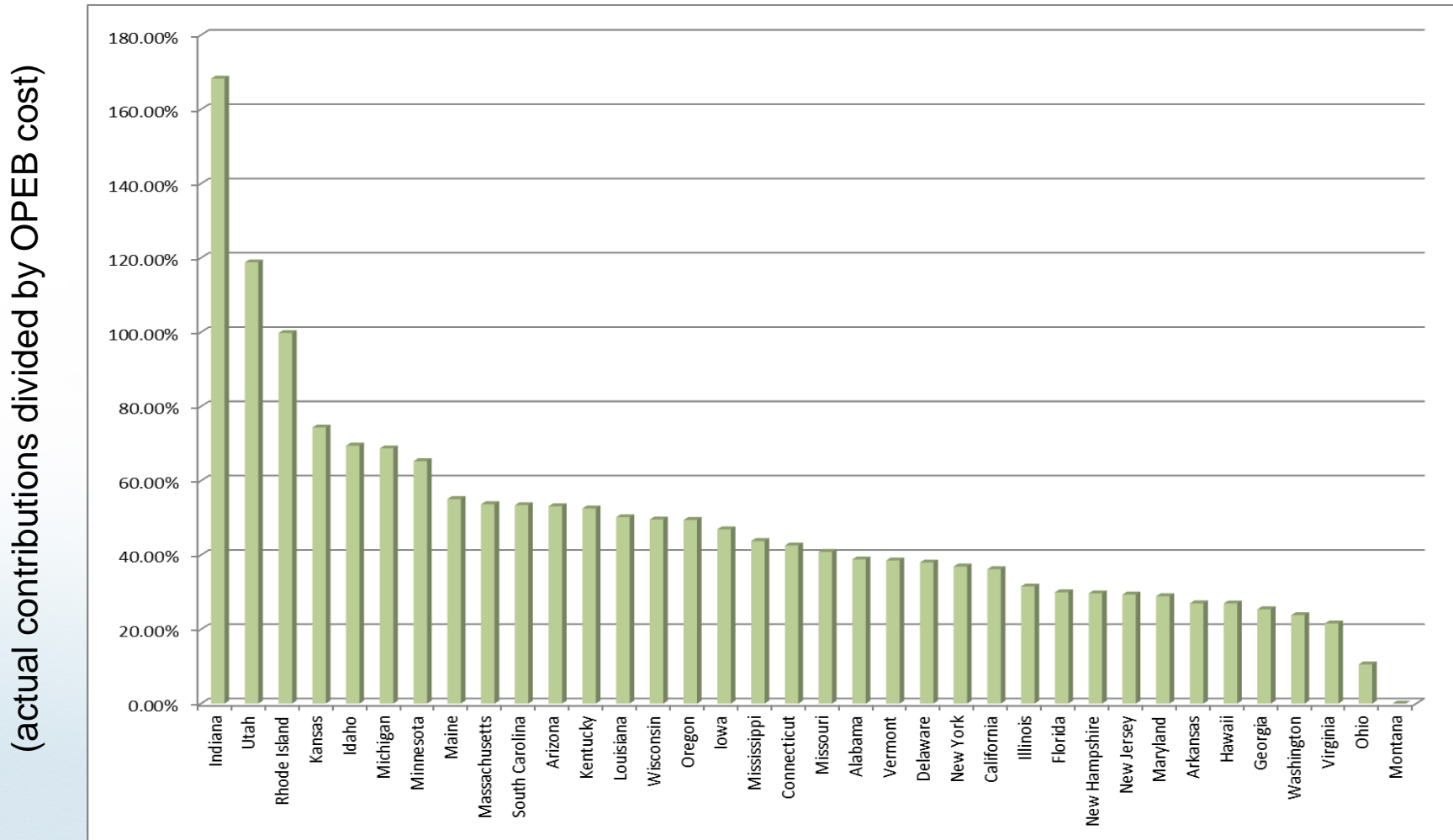
- Retiree healthcare is expensive and much has been promised
- Very little money has been set aside to fund OPEB
- Very little effort is being made to put money aside now – the vast majority of governments are still pay-as-you-go

# Who Has Set Money Aside for OPEB? (selected state plans)





# Is Anyone Funding Their OPEB? (selected state plans)

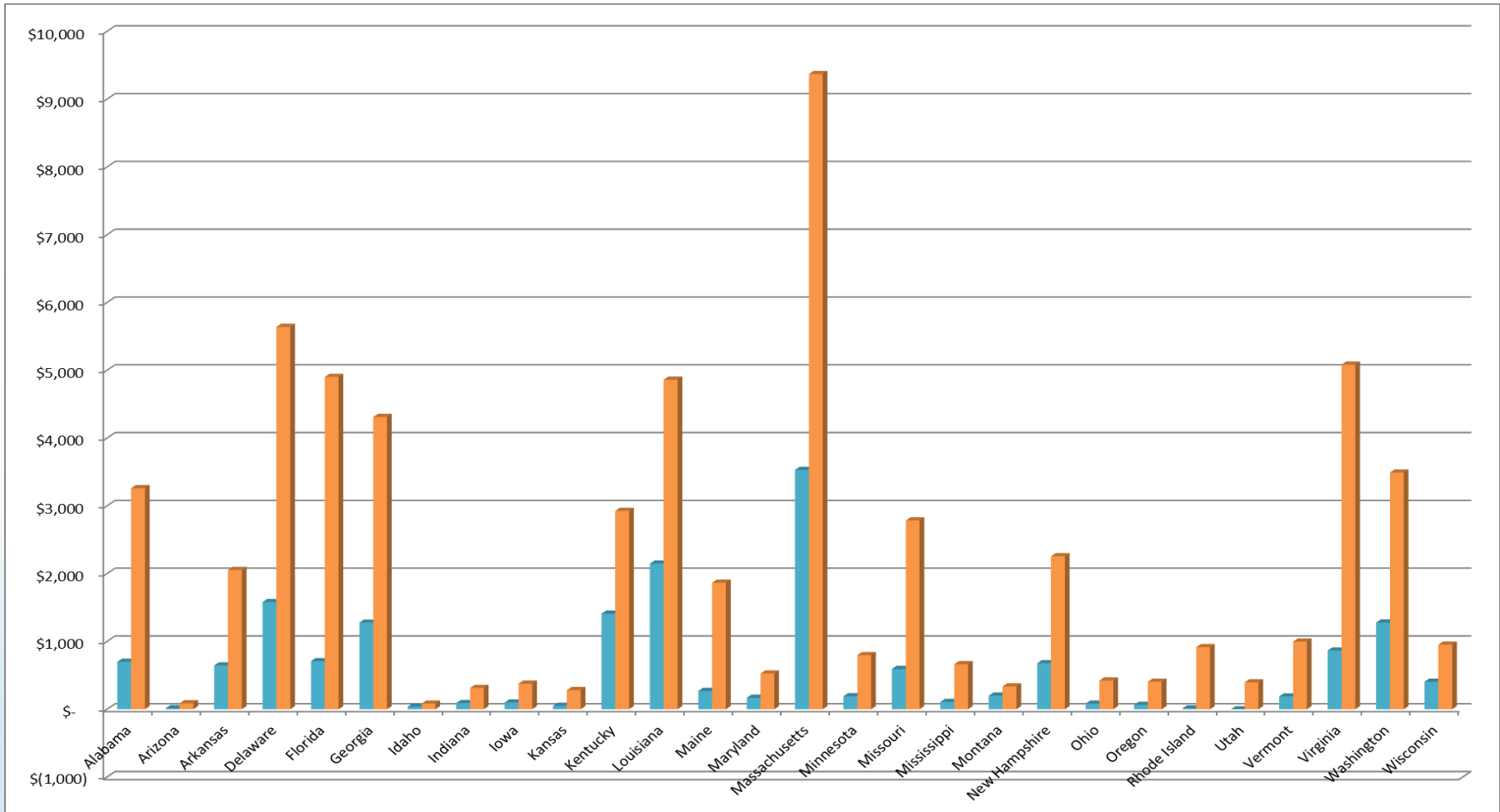


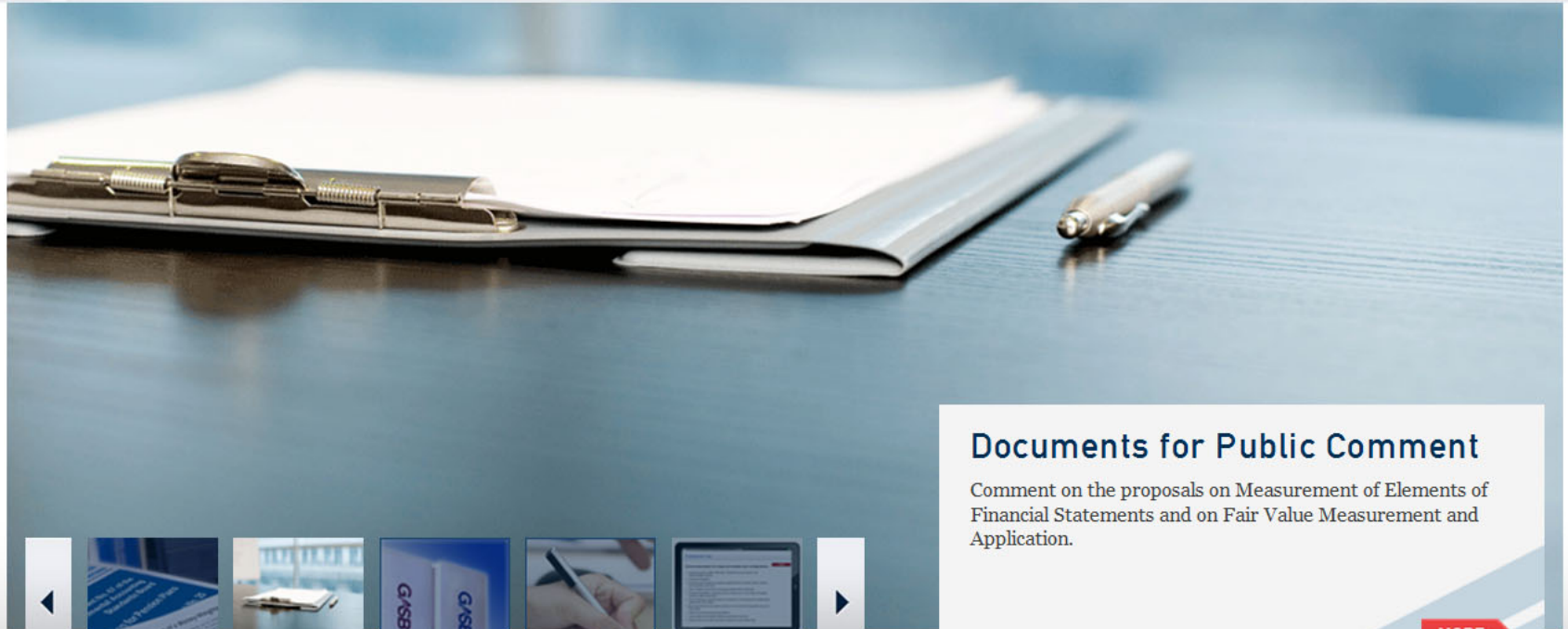
(fiscal year 2012)

# What Does the Future Hold for OPEB Reporting?

- Possible changes in measurement that may increase size of long-term obligation and annual cost for OPEB
- Possible requirement to recognize the liability on the face of the financial statements
- Possible requirement to present more extensive note disclosures and supporting schedules

# What's That Going to Look Like on the Financial Statements? (w/o CA, IL, NY, NJ)





## Documents for Public Comment

Comment on the proposals on Measurement of Elements of Financial Statements and on Fair Value Measurement and Application.

[MORE](#)



# Website Resources

Meeting the needs of constituents is one of the GASB's key goals. In support of this goal, the GASB makes a variety of resources available through its website, [www.gasb.org](http://www.gasb.org), including up-to-date information and resources addressing:

- Current projects
- Recent proposals and final pronouncements
- Free copies of proposals and final pronouncements
- A free view of the GASB Codification
- Educational resources
- Resources for users.

# Plain-Language Materials

- The GASB is committed to communicating in plain language with constituents about its standards and standards-setting activities.
- Key major proposals may be accompanied by a supplement that explains the document using a minimum of technical language.
- Plain-language articles typically accompany major proposals and final Statements.

# The Newly Updated and Expanded GASB User Guide Series

- *What You Should Know about Your Local Government's Finances*
- *What You Should Know about Your School District's Finances*
- *An Analyst's Guide to Government Financial Statements—now available*
- *What You Should Know about the Finances of Your Government's Business-Type Activities*

# GASB Project Managers Needed

- The GASB is looking for knowledgeable and talented persons to fill openings as project managers – the staff who lead a standards-setting project team from initial research to final publication of a pronouncement
- A candidate should:
  - Be a CPA (or equivalent) with at least 10 years experience (preferably in public accounting or government)
  - Possess excellent communication and analytical skills
  - Have experience managing projects, overseeing a project team, and making presentations
  - Be open-minded, eager to learn, and collegial
- Interested? Know someone who would be a great prospect?
  - [www.gasb.org](http://www.gasb.org) (look under “About Us”)