



Counties Choose to Amend OPEB Policies in Response to GASB 45

January 25, 2008 (PLANSPONSOR.com) – A report from the National Association of Counties (NACo) provides brief overviews on the major issues surrounding Governmental Accounting Standards Board (GASB) statement 45 and profiles 15 counties from across the country that are in the midst of GASB 45 implementation.

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NACo said the studies were done "so that others may learn how they are approaching the statement and retiree health benefits."

The first step in the GASB 45 implementation process is to obtain an actuarial valuation, NACo pointed out in the report. Once governments know their benefit obligations, they can decide at what level they are going to comply with GASB 45. Implementing GASB 45 can be addressed more narrowly by only implementing the accounting statement, or more broadly by analyzing and perhaps changing other post-employment benefits (OPEB) OPEB policies and establishing a funding and investment mechanisms to pay accrued liabilities.

For a narrow implementation, the report said, financial staff will learn the mechanics of the statement and book the liability on the government's balance sheet. Advice from the case studies of the 15 counties include that staff should give themselves sufficient time to learn the accounting rules, and they should ask help from their actuary, external auditor, and those colleagues who have already implemented the statement.

For those who choose to implement changes to their OPEB policies, the most common piece of advice from county staff and commissioners was to start the implementation process early. Taking the broader approach to compliance with GASB 45, according to the report, requires these additional steps:

- Evaluating and perhaps adjusting benefit structures,
- Analyzing impacts of OPEBs on the budget,
- Establishing an ARC (annually required contribution) funding plan, and
- Developing financial vehicles for OPEB assets (i.e. accounts or irrevocable trusts).

The case studies address the steps for implementation of benefit changes from the 15 counties and address potential questions governments could have when implementing the changes.

To formalize their commitment, some counties approved ARC funding policies. Though GASB 45 does not require employers to advance-fund their OPEB obligations, some governments have done so or are considering doing so by issuing long-term debt or OPEB bonds. The report also discusses the reasons some governments set up irrevocable trusts to hold assets for their OPEB funding and the investment policies needed in those instances.

Controlling Health Care Costs

One thing GASB 45 has definitely done is lead governments to consider ways to control the costs of their health care obligations. "[G]overnments have been getting creative and more aggressive," the report said.

Self-insured counties are demanding more from their administrators or simply bidding out the contract, to save on administrative costs. Counties are also reworking the health packages

they offer, making some minor changes such as raising co-pays or adding prescription discounts for generic drugs. NACo found that counties are increasingly offering wellness programs that range from health fairs to gym discounts to actual premium reductions for reaching health care goals.

Other changes the study noted are structural in nature, such as moving to a defined-compensation plan for retiree health care by offering retirees health savings accounts (HSAs) which are paid similarly to a pension 401K account.

The counties studied shared a handful of similarities in their health benefit plan designs:

- Counties typically offer prescription drug coverage as part of their health-benefit plan;
- Counties mandate some level of vesting for retiree health benefits, but the details for vesting differ substantially;
- If a county provides health benefits to retirees eligible for Medicare, the benefit is only supplemental to the federal insurance plan. For several counties, this is a new provision, the report said.

The report, Implementation of GASB 45: Case Studies of 15 Counties, is [here](#).

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