

LMC offers GASB OPEB services, seeks cities for case studies

By Erin Rian

New Government Accounting Standards Board (GASB) reporting standards require public-sector entities to begin accounting for the promise to provide other post-employment benefits (OPEB) over the working life of the employee rather than on a pay-as-you-go basis (as is currently done by many public-sector entities). To help cities with these changes, the League has partnered with Van Iwaarden Associates, and the two organizations are looking for cities to help with developing educational case studies.

Even cities that do not contribute directly toward retiree benefits will have a GASB OPEB liability because of a state requirement that early retirees be pooled with active employees for continued health and dental benefits. This pooling creates an “implicit rate subsidy” that under GASB should be calculated and accounted for on city financial statements.

Cities with age-banded rates for their medical plan likely will not have an implicit subsidy or GASB OPEB liability; generally cities that are fully insured with 50 or fewer employees are issued age-banded rates. However, if the city “blends” the age-banded rates into a single/family rate, then the implicit subsidy likely exists.

The League has partnered with Van Iwaarden Associates to offer actuarial services to help member cities evaluate and calculate their

GASB OPEB services. Van Iwaarden will conduct actuarial valuations on approximately four to five member cities, which will serve as case studies to help educate others about GASB OPEB requirements. One of the goals is to develop a simplified method where cities can evaluate whether the subsidy is material or not. If not, cities may be able to avoid the cost of a full actuarial valuation.

To be considered for the case studies, cities must:

- Have fewer than 100 plan members (includes active employees, retirees, and retiree spouses);
- Have just the implicit rate subsidy (i.e., no employer contribution toward retiree benefits);
- Complete a GASB OPEB Online Survey; a link to the online survey is available on the League’s web site at www.lmc.org.

The goal is to have cities with varying demographics participate in the case studies. Cities will be selected based on various characteristics, such as:

- Expected retirement age;
- Percent of retirees electing coverage;
- Average age of active employees;
- Number of active employees and retirees on the plan.

Cities selected will have an actuarial valuation conducted to assess their GASB OPEB liability. Cities will also receive a certified actuarial report as part of this process (valued

at \$1,500). The initial actuarial analysis will be done at no cost to the city. However, future actuarial valuations—which will need to be done every couple of years in accordance with GASB—will be at the city’s cost.

In exchange for participating in the case studies, cities agree to allow the League to use their information to help educate other cities about the potential impact of GASB OPEB. The League will highlight the case studies in a series of educational sessions that will be conducted in the spring or fall of 2008.

The League also anticipates sharing this information to help educate the Legislature and other interested parties about the impact of pooling early retirees with active employees. Since the actuarial valuations for cities participating in the case studies will be shared publicly, cities should carefully consider whether they want to participate in this manner.

The League is also contracting with Van Iwaarden to provide cities with direct actuarial services at discounted fees. For more information about these actuarial services, contact **Sandi Bruns**, Van Iwaarden Associates, at sandrab@vaniwaarden.com, (888) 596-5960, or (612) 596-5960.

For more information about the League’s GASB OPEB services for cities, contact **Erin Rian**, LMC, at erian@lmc.org or (651) 215-4095. ■