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DIVISION OF
LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

LOCAL GOVERNMENT ISSUES IN FOCUS

GASB 45: Reporting the True Cost of Other Post-Employment Benefits

Summary

- **New accounting standards have been issued by the Government Accounting Standards Board (GASB 45)** which require states and many local governments nationwide to report liabilities for "other post-employment benefits" (OPEB) – primarily health care benefits – similarly to the way they report pension liabilities.
- **Costs for retiree health care benefits are becoming increasingly burdensome** for state and local governments due to growth in the number of retirees (caused by people living longer and the retirement of the baby boom generation), coupled with growth in health care costs (which has been significantly outpacing inflation and wage growth for the last decade).
- **The initial impact of these standards will be to increase transparency** and reveal the true long-term cost of providing these benefits. This is not a new liability. What is new is the requirement that governments accurately and fully disclose those commitments.
- **Preliminary estimates indicate that these unfunded OPEB liabilities in the public sector exceed $1.5 trillion nationally.** For New York State government alone, OPEB liabilities are estimated at $50 billion. For New York City, the estimate is another $58 billion. For other local governments in New York, these liabilities will total billions more once they are quantified.
- **GASB 45 does not require governments to fund these benefits,** but they must begin to report them in their financial statements. However, GASB 45 will focus increased attention on nonpension retiree benefits and the need to intelligently manage these costs in the future.
- **Governments should develop plans to address these costs,** which can be managed through a combination of cost containment, cost sharing and funding set-asides. The best way for governments to address these costs is to move quickly toward quantifying OPEB liabilities and to move thoughtfully but deliberately toward developing options to manage and fund these costs.
- **Most states have completed their initial calculations of the long-term cost of OPEB.** However, states have only set aside about 3 percent of the funds needed for promised retiree health care and other nonpension benefits, estimated at nearly $400 billion for state governments.
- **New York reports the largest state OPEB liability ($50 billion),** followed by California ($48 billion), Illinois ($48 billion estimated), Connecticut ($22 billion) and New Jersey ($22 billion).
- **A government which puts aside OPEB funds can substantially cut its long-term costs.** For example, New York State currently pays $1.1 billion for retiree health care benefits annually. If the State commits to fully funding its OPEB liability over the next 30 years, the total unfunded liability would be reduced from $50 billion to $28 billion, but the annual contribution would increase to $2.6 billion.
- **A legislative proposal to authorize the creation of OPEB trusts for New York State and its local governments will be advanced by the Office of the State Comptroller** in the 2008 State Legislative Session. This proposal will also establish criteria for the development of policies to govern the investment of accumulated OPEB assets.

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EXECUTIVE SUMMARY

Many governments, including those in New York, have for decades promised medical and other nonpension benefits to employees when they retire. Under new accounting standards issued by the Government Accounting Standards Board (GASB), many state and local governments nationwide are required to report liabilities for these "other post-employment benefits" (OPEB) similarly to the way they report pension liabilities.

The initial impact of these standards (known as GASB 45) will be to increase transparency and reveal the true long-term cost of providing these benefits – primarily health care benefits. This is not a new liability. What is new is the requirement that governments accurately and fully disclose the amounts of their commitments. Disclosure of this information will foster improved accountability, encourage better informed policy decisions about the level and types of benefits provided by employers and engender discussions about potential methods of financing and managing those benefits.

While governments are not required by GASB 45 to fund these benefits, they must now report them in their financial statements if prepared in accordance with Generally Accepted Accounting Principles (GAAP). Preliminary estimates indicate that these unfunded OPEB liabilities in the public sector exceed $1.5 trillion nationally. For New York State government alone, OPEB liabilities are estimated at $50 billion. For New York City, the estimate is another $58 billion. For other local governments in New York, these liabilities will total billions more once they are quantified.

As people are living longer and the baby boom generation retires, the number of retirees is significantly increasing, sometimes exceeding the number of active public sector employees in individual municipalities. This growth in the number of retirees, coupled with the growth in health care costs, is resulting in costs for retiree health care benefits which are becoming increasingly burdensome for state and local governments. In some cases, the cost of providing retiree health benefits already surpasses pension costs.

The disclosure requirements of GASB 45 will increasingly focus attention on governments' management of nonpension retiree benefits and their plans for addressing these costs in the future. The need to intelligently manage the cost of post-retirement benefits is imperative as governments strive to attract qualified employees while supporting other public priorities. How New York State and its localities deal with this issue will have important implications for public policy at a time when many local governments are already facing mounting fiscal stress.

There is a financial benefit to funding OPEB liabilities. Under GASB standards, a public entity which puts aside funds for OPEB costs can substantially cut its long-term costs. This is because the entity is allowed to assume a higher investment earnings rate because future investment income will help fund its long-term OPEB expenses. If New York State commits to fully funding its OPEB liability over the next 30 years, the total unfunded liability would be reduced from $50 billion to about $28 billion, and the annual contribution would be reduced from $3.8 billion to $2.6 billion.[1]

Governments should develop plans to address these costs, which can be managed through a combination of cost containment, cost sharing and funding set-asides. The best way for governments to address these costs is to move quickly toward quantifying OPEB liabilities and to move thoughtfully but deliberately toward developing options to manage and fund these costs.

The Office of the State Comptroller (OSC) is advancing a legislative proposal in the 2008 State Legislative Session to authorize the creation of OPEB trusts for New York State and its local governments. This proposal will also establish criteria for the development of policies to govern the investment of accumulated OPEB assets.

OPEB is an issue which, like many faced by government officials, requires thoughtful and careful analysis. There is time to deal with this issue, but no time to waste. Those individuals who are currently receiving these benefits, as well as those who will retire in the future, are depending on public officials to make decisions in ways that protect their continued health care as well as the continued fiscal health of the governments they have served.

BACKGROUND

The Government Accounting Standards Board (GASB) is a national body that sets the standards for governmental accounting and reporting. Generally, these are accounting standards that state and local governments follow when preparing their financial statements according to Generally Accepted Accounting Principles (GAAP). The Office of the State Comptroller (OSC) reviews these standards and provides directives, advice and opinions on how local governments in New York State should implement them.

GASB Statement 45, which was issued in June 2004, establishes accounting and reporting standards for other post-employment benefits offered by state and local governments. Other post-employment benefits (OPEB) are employee benefits other than pensions that are received after employment ends. OPEB includes primarily health care benefits, but also includes dental, vision, prescription medicine and hearing benefits, as well as certain disability, long-term health care and life insurance benefits.

OPEB generally does not include pension income benefits, sabbaticals, vacation benefits, special termination benefits (unless the effect is an increase in benefits that are OPEB) and so-called COBRA benefits.[2]

Disclosure of Required Information

GASB 45 requires that public entities which prepare GAAP-compliant financial statements calculate and record the expense and liability of their OPEB benefits. Many governments, including those in New York, have for decades promised medical and other benefits to employees when they retire. The initial impact of GASB 45 will be to increase transparency and reveal the true long-term cost of providing these benefits. This is not a new liability. What is new is the requirement that governments accurately and fully disclose the amounts of their commitments.

Typically, public agencies have reported the cost of retiree heath care and other nonpension benefits on a "pay-as-you-go" basis. The annual amount paid for benefits has been reported as the annual expense, with no other liabilities or funding requirements reported. GASB believes that the current pay-as-you-go method does not accurately reflect the true costs that governments are accumulating for future benefits of current employees. According to GASB, the amount of the future benefit is an expense that must be recorded rather than deferred as a liability to a future generation.

Under GASB 45, public entities must account for, and report on their entity-wide financial statements, the annual required contribution (ARC) for OPEB in the same way they report pension contributions. The annual OPEB expense to be reported by most employers will be based on actuarially determined amounts rather than on the "pay-as-you-go" method currently followed by most public entities. Public entities must use actuarial valuations to determine the accounting and reporting amounts expected in the future, and liabilities may be amortized for up to 30 years. OPEB costs also must be reported over the working lifetime of employees, and the OPEB information provided in the notes to financial statements must include funding (if applicable), costs and provisions of an OPEB plan. While GASB 45 does not require that OPEB liabilities be funded, it does require disclosure of the ARC for OPEB and net OPEB obligations.

Compliance with GASB 45

GASB 45 applies to all public entities (including state governments; county, city, town and village governments; school districts and public authorities) that follow GAAP in filing their annual financial statements and offer other post-employment benefits. In New York State, it is estimated that more than 400 local governments – about one-quarter of all local governments in the State – and most school districts will be required to comply.

GASB 45 will be implemented in three phases, based on the annual revenues of public entities in the first fiscal year ending after June 15, 1999, as follows:

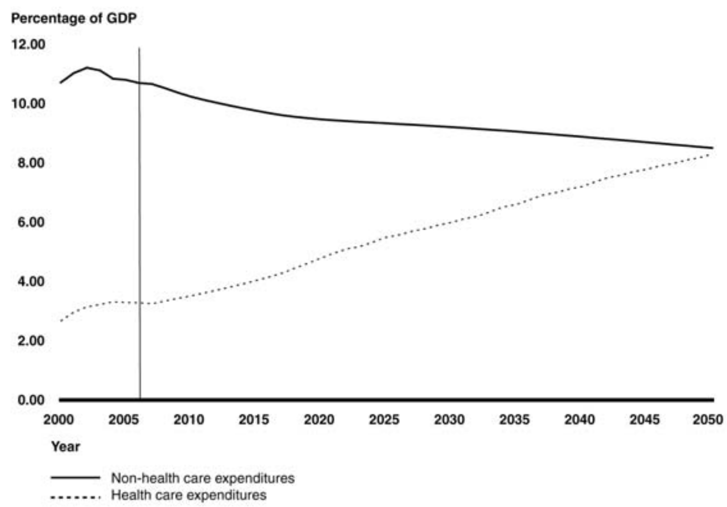
Public Entities Must Comply Starting with Fiscal Year Beginning After	Annual Revenue
December 15, 2006	$100 million or more
December 15, 2007	$10–100 million
December 15, 2008	Less than $10 million

In general, governments should account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in the same manner as they currently do for pensions. These amounts should be produced by actuarial valuations performed in accordance with parameters established by GASB. The valuations should be conducted at least every two years for plans that administer OPEB for 200 or more plan members (both active employees and retirees) or at least every three years for plans with fewer than 200 plan members. Generally, actuarial valuations should follow accepted actuarial practices as set forth by the Actuarial Standards Board.

NATIONAL TRENDS

The significance of GASB 45 lies in the fact that it will focus attention on an important issue facing governments today: the rapidly growing cost of health care. According to the federal Government Accountability Office (GAO), growth in health-related costs (including the cost of health insurance for employees and retirees) is a primary driver of the fiscal challenges facing state and local governments nationally.[3] Requiring the disclosure of OPEB liabilities will provide greater transparency of these costs and should lead governments to examine their ability to maintain current benefit levels over the long term.

Health and Non–Health Expenditures of State and Local Governments



Source: U.S. Government Accountability Office (GAO), *State and Local Governments: Persistent Fiscal Challenges Will Likely Emerge Within the Next Decade*, GAO-07-1080SP, Washington D.C., July 18, 2007, **www.gao.gov**.

Nationwide, although there has been some moderation in growth rates in the last few years, the cost of employee health care continues to outpace both inflation and wage growth. In 2007, premiums for employer-sponsored health insurance rose almost two and a half times the overall rate of inflation (6.1 percent vs. 2.6 percent) and about 65 percent higher than the increase in wages (3.7 percent).[4] In New York, health insurance costs of local governments grew at an average annual rate of 10.5 percent from 2000 to 2005. New York is experiencing similar increases in health insurance costs, reporting growth in employee and retiree health insurance costs of 10.3 percent in 2006-07 and projecting outyear growth of 9.5 percent at least through 2011-12.[5]

As people are living longer and the baby boom generation retires, the number of retirees is significantly increasing, sometimes exceeding the number of active public sector employees in individual municipalities. This growth in the number of retirees, coupled with the growth in health care costs, is resulting in costs for retiree health care benefits which are becoming increasingly burdensome for state and local governments. In some cases, the cost of providing retiree health benefits already surpasses pension costs.

In the private sector, employers have been required to report on OPEB liabilities since the early 1990s, according to standards issued by the Financial Accounting Standards Board (FASB).

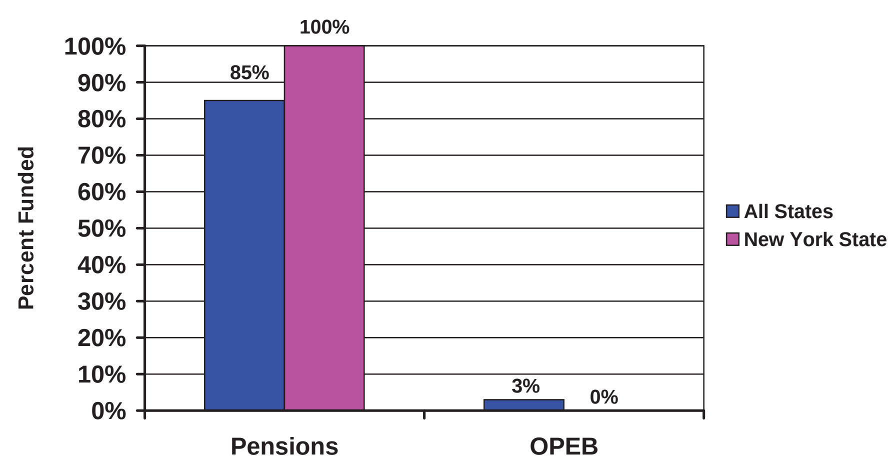
TRENDS IN THE PUBLIC SECTOR

Nationally, studies estimate that the total unfunded actuarial accrued liability for retiree health benefits of state and local governments lies between $600 billion and $1.6 trillion.[6] These unfunded liabilities are large because governments typically have not set aside any funds for the future payment of retiree health benefits (as they have for pensions). To put this amount in perspective, in 2006 state and local governments nationwide received $1.9 trillion in total receipts from all revenue sources.[7] As a further comparison, the outstanding value of state and local government debt in the nation totaled $2.1 trillion in 2005. In other words, the total unfunded OPEB liability is equivalent to as much as 75 percent of the total accumulated debt of state and local governments for all other public purposes, including roads, bridges, water and sewer systems, public buildings and airports.

State pension plans across the nation are in reasonably good shape. At the end of fiscal year 2006, states had accumulated about $2 trillion for the $2.35 trillion that they had made in pension promises, or enough to cover about 85 percent of their long-term pension costs in the aggregate. This national perspective masks some significant variations across the states, as the percent of pension liabilities ranges from 55 percent funded (West Virginia) to fully funded (Florida, New York, North Carolina, Oregon and Wisconsin).[8]

However, states have only set aside about 3 percent of the funds needed for promised retiree health care and other nonpension benefits, estimated at nearly $400 billion for state governments.[9, 10]

Percentage of State Liabilities Funded (Pensions vs. OPEB)

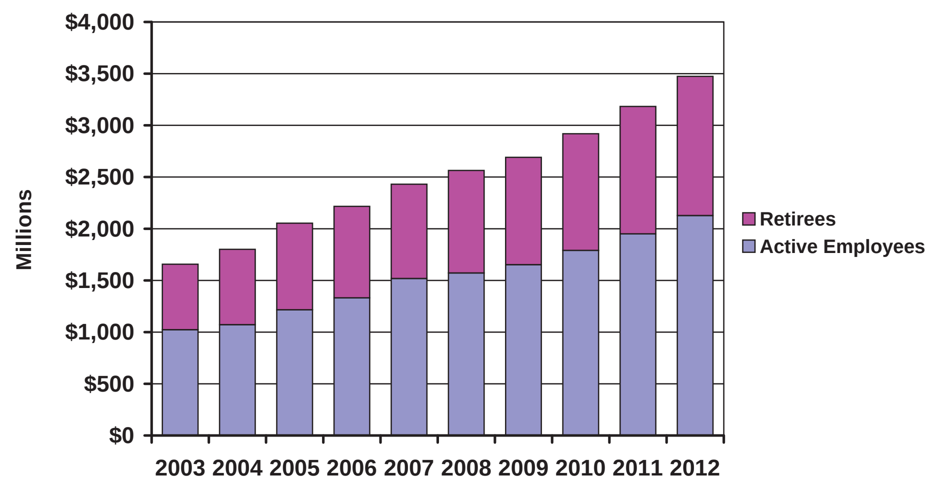


New York State and its Local Governments

In New York, the State's unfunded accrued OPEB liability (including the liability for employees of the State University of New York) is currently estimated at about $50 billion (as of the April 1, 2007 update). While New York's pension system is fully funded, the State follows the pay-as-you-go approach used by most governments for the payment of OPEB costs and has not yet set aside any money to cover these long-term obligations. For perspective, this unfunded OPEB liability amount is virtually identical to the State's total net assets of $49.1 billion for fiscal year 2006-07, before reflecting the impact of GASB 45 in its financial statements. Similarly, the amount of State-related debt outstanding totaled about $50 billion in fiscal year 2007-08. In other words, the State's OPEB liability is roughly equal to the amount of total State-related debt currently outstanding for all other public purposes.

As indicated above, the State continues to finance all its employee health care expenses on a pay-as-you-go basis. Recent past and anticipated increases in these costs are reflected in the State's multiyear Financial Plan as shown in the following chart.

Cost of New York State Employee Health Insurance



Because of the phase-in of GASB 45, many local governments, including those in New York, are just beginning to obtain actuarial estimates of their OPEB liabilities, with the largest local governments (those with annual revenues in excess of $100 million) scheduled to begin reporting these liabilities in their 2007 financial statements. While there is no comprehensive estimate of OPEB liabilities for local governments in New York yet, some of the larger municipalities have completed their initial actuarial valuations, and the amounts are significant. For example, unfunded OPEB liabilities have been estimated for New York City ($58 billion), the City of Rochester ($650 million) and the County of Onondaga ($660 million). As a point of comparison, the total amount of outstanding local government debt in New York State was $68 billion for fiscal years ending in 2005.

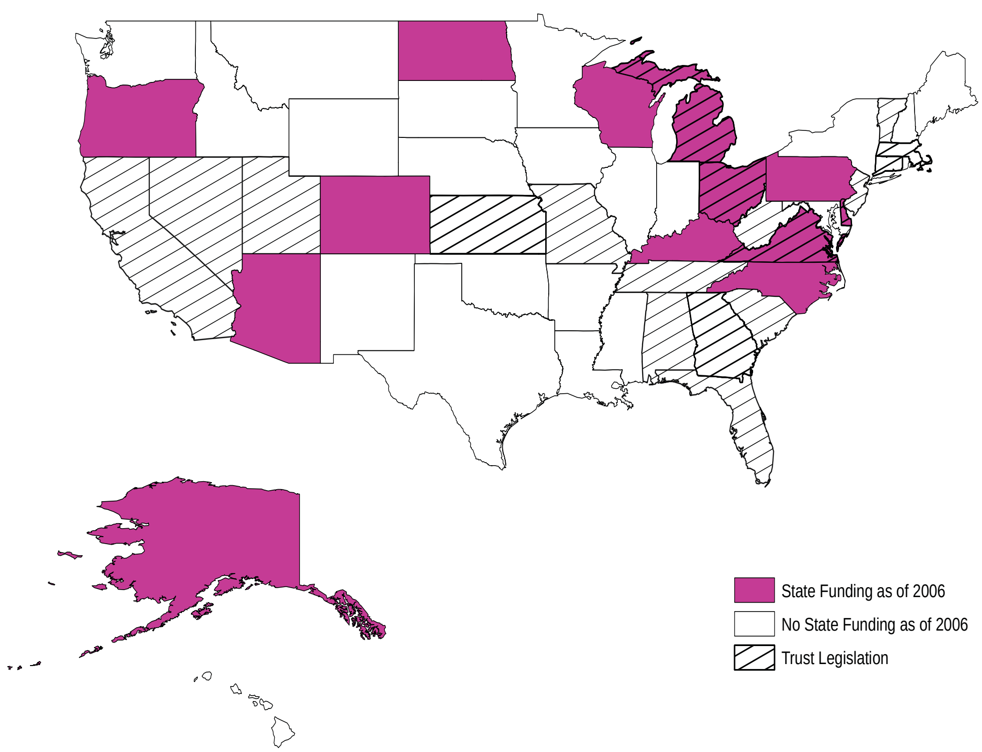
Scorecard of States

Most states have now completed their initial calculations of the long-term cost of OPEB, and studies show that state governments differ tremendously in the levels of OPEB benefits offered to their retirees, with half the states accounting for almost 95 percent of estimated OPEB liabilities. This variation results largely from decisions that states have made about how large these benefits should be and who should receive them, as well as regional cost variations.

Eleven states face long-term OPEB liabilities in excess of $10 billion. New York reports the largest OPEB liability ($50 billion), followed by California ($48 billion), Illinois ($48 billion estimated), Connecticut ($22 billion) and New Jersey ($22 billion).[11] At the end of 2006, more than a dozen states had put aside money for nonpension benefits. However, just six states (Arizona, North Dakota, Ohio, Oregon, Utah and Wisconsin) had begun to budget for the full funding of their OPEB obligations over the next 30 years. Of the five most populous states (California, Florida, Illinois, New York and Texas), none had put aside money for nonpension benefits.

Nevertheless, many states are starting to plan for the eventual funding of OPEB liabilities through the enactment of enabling legislation to provide for the creation of state and/or local government trusts.

State OPEB Funding and Trust Legislation



IMPLEMENTATION OF GASB 45

Actuarial Valuation

The initial step in the implementation of GASB 45 is the quantification of nonpension retiree liabilities, usually obtained from an actuarial valuation performed in accordance with parameters established by GASB. An actuarial valuation is generally required for all plans having at least 100 members, including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them and retirees and beneficiaries currently receiving benefits. The valuations should be updated at least every two years for plans that administer OPEB for 200 or more plan members (both active employees and retirees) or at least every three years for plans with fewer than 200 plan members.

Governments should hire an actuarial consulting firm with expertise in health benefits to perform the valuation work, taking care to comply with existing procurement policies and procedures for obtaining professional services, which, as a rule, should provide for a request for proposals (RFP) process. The Government Finance Officers Association (GFOA) has prepared an RFP checklist for OPEB actuarial valuations that could be helpful in obtaining actuarial services.[12]

New York has entered into State contracts with several companies to provide actuarial services to local governments to help them calculate the costs of retiree health and health-related benefits. These contracts, negotiated by the Office of General Services (OGS), can save local officials the trouble of finding these highly technical services on their own. Local governments may use these contracts if consistent with their procurement policies and procedures. OSC recommends that local governments consider using these contracts and consult a document of Frequently Asked Questions[13] prepared by OSC to help local governments comply with the GASB 45 standards.

Data elements needed by actuarial firms to prepare a valuation generally include employee-specific information on name, identification number, gender, date of birth, date of hire, salary, bargaining unit, retirement date, employment status, benefit plan, spouse and dependents. The New York State Health Insurance Program (NYSHIP) may be able to provide some required data elements to local governments in New York who are members of NYSHIP.

GASB permits a choice of six actuarial cost methods to determine annual OPEB expenses. According to GASB, demographics, the level and amount of OPEB and the funding status of benefit plans generally influence the actuarial method chosen. The actuary should review these factors and recommend the best method given the particular government involved.

Actuarial studies often produce future liabilities which are higher than initially expected. In addition, estimates of OPEB liabilities can be more volatile than pension liabilities from one actuarial study to the next. The volatility is due to changing demographics (people living longer and retiring earlier), changes in the level of benefits offered and increases in health care costs that are difficult to predict.

Financial Reporting

Under GASB 45, public entities reporting in accordance with GAAP must account for, and report on their entity-wide financial statements, the annual required contribution (ARC) for OPEB in the same way they report pension contributions. The annual OPEB expense to be reported by most employers is based on actuarially determined amounts rather than on the pay-as-you-go method currently followed by most governments. Actuarial cost methods are used to allocate the current value of future benefits into amounts attributable to the past, to the current year and to future years.

Current Value of Future Benefits

Actuarial Accrued Liability (AAL)	**Normal Cost**	**Future Normal Cost**
Benefits accrued in past years	Benefits accrued in the current year	Benefits that will accrue in future years

Source: Paul Angelo, Fellow of the Society of Actuaries, and GAO–08–223..

According to GASB, the ARC is the amount the employer would be required to contribute for the year, calculated in accordance with certain parameters in order to fund the liability over time. The ARC is the sum of the "normal cost" (the portion of the present value of estimated total benefits that is attributed to services received in the current year) and the amortized unfunded actuarial accrued liability (UAAL—the cost of those same employees for past, unfunded years of service). This liability can be amortized up to 30 years. The ARC, in effect, recognizes that retiree health benefits are "earned" and are financial obligations accrued during an employee's entire period of service.

The net OPEB obligation is based on the difference between the ARC and the amount actually contributed. This net obligation is calculated annually and is based on the accumulated contributions and the accumulated ARC. At the end of a year, the net obligation equals the sum of the beginning of the year net OPEB obligation and the annual OPEB cost, less the actual contribution made that year.

OPEB information which must be disclosed in the notes to financial statements of public entities must include the ARC and the net OPEB obligation, as well as funding (if applicable) and provisions of an OPEB plan.

For example, New York State currently pays $1.1 billion for retiree health benefits annually. The actuarial estimate of $50 billion for the State's total unfunded OPEB liability results in an annual required contribution of $3.8 billion, or $2.7 billion more than is currently budgeted by the State. These amounts must be disclosed in the State's financial statements beginning with the 2007-08 fiscal year.

Legal Framework

GASB does not require that the OPEB liability of a government be funded. However, GASB has advised that if an employer decides to fund its OPEB liabilities, in order to be considered funded in accordance with GASB, the employer must transfer assets to a qualifying trust or equivalent arrangement in which OPEB assets are held, to be used exclusively for providing OPEB benefits. Contributions into the trust must be irrevocable and trust assets must be legally protected from creditors of the employer.

Nationally, at least 13 states (including California, Florida, Georgia, Michigan, New Jersey and Virginia) have set up irrevocable trusts to pay for nonpension retiree benefits in the future and about a dozen states have made explicit provision for the local governments within their borders to set up such trusts.[14, 15]

New York State does not currently have a statute which expressly authorizes the State or its local governments to create trusts for OPEB purposes. In the absence of such a statute, it is questionable whether the State and local governments have the requisite authority to establish OPEB trusts. A State statute providing express authority would eliminate questions as to the underlying authority for the creation of such trusts.

Until statutory authorization is granted, a local government can designate a portion of its unreserved, unappropriated fund balance for OPEB purposes and explain this designation with a footnote in its financial statements. A designation is an accounting term used to represent management's present intent but places no legal restriction on the use of that designated fund balance. Although such an approach does not meet the funding qualifications under GASB 45, this is a mechanism that may be used temporarily to designate funds in the absence of an OPEB funding vehicle that is compliant with GASB standards. The designated amount would remain part of the local government's unreserved, unappropriated fund balance and would be included when determining the statutory maximum amount of fund balance that may be carried over from year to year.

The Office of the State Comptroller will advance a legislative proposal in the 2008 State Legislative Session to authorize the creation of OPEB trusts for New York State and its local governments. This proposal will also establish criteria for the development of policies to govern the investment of accumulated OPEB assets by the trustees of local government OPEB trusts.

Management of OPEB Liabilities and Assets

As discussed above, GASB's role regarding OPEB is to establish accounting and financial reporting standards – not to require governments to make any particular policy or management decisions. Nevertheless, accurate disclosure of this information will foster improved accountability, encourage better informed policy decisions about the level and types of benefits provided by employers and engender discussions about potential methods of financing and managing those benefits.

Health Care Cost Containment

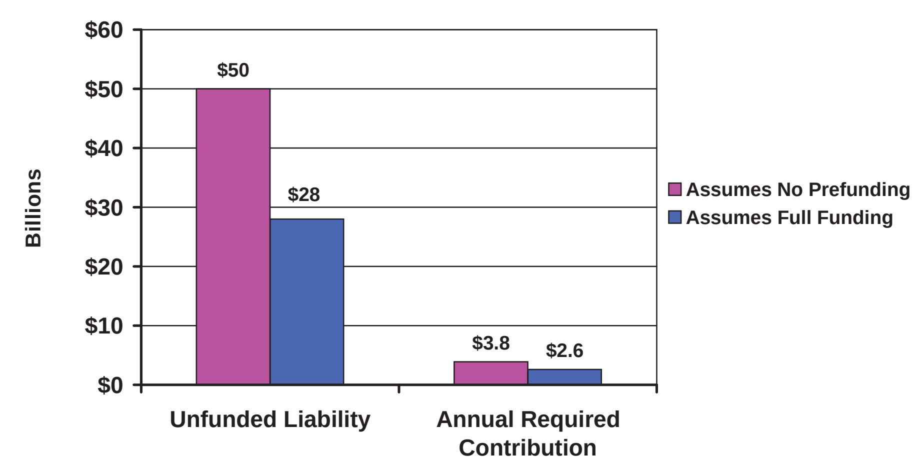
Many governments are starting to address the budgetary impact of current and future OPEB obligations to their employees by containing the cost of health care. Some governments are managing their benefit plans more cost effectively, including creating cooperative benefit plans with other governments. Other measures that have been taken to manage costs include increasing employee and retiree contributions for premiums and co-payments, increasing the number of years of employment required for benefits, requiring retirees to join a Medicare prescription drug plan and promoting wellness programs.

The ability of public employers to make major changes in their benefit structures will vary from one employer to another and will generally depend in part on the manner in which the benefits are provided (e.g., board resolution, collective bargaining agreement), as well as the specific terms of the benefits.

Funding Decisions

Under GASB standards, a public entity which puts aside funds for OPEB costs – called prefunding – can substantially cut its long-term costs. This is because the entity is allowed to assume a higher investment earnings rate (discount rate) because future investment income will help fund its long-term OPEB expenses. This will lower the overall unfunded OPEB liability as well as the annual required contribution. For example, if New York State commits to fully funding its OPEB liability over 30 years, the total unfunded liability would be reduced from $50 billion to about $28 billion .[16] The annual required contribution would be reduced from $3.8 billion (assuming a 4.1 percent investment earnings rate without any prefunding) to $2.6 billion (assuming an 8 percent earnings rate with full prefunding).

Benefits of Prefunding OPEB Liabilities New York State



While it is fiscally prudent to begin to fund these costs, many governments may not be able to meet their annual required contribution amounts. It is estimated that the median annual required contribution is three times the amount currently being paid on an annual basis.[17]

Nevertheless, governments should develop plans to address these costs, which can be managed through a combination of cost containment, cost sharing and funding set-asides. The best way for governments to address these costs is to move quickly toward quantifying OPEB liabilities and to move thoughtfully but deliberately toward developing options to manage and fund these costs.

Options for funding, subject to necessary legal authority, include the following courses of action, or some combination of these actions:

- Continuing with pay-as-you-go funding;
- Setting aside additional amounts which become available from annual budget surpluses or other non-recurring revenue sources; and
- Making a commitment to fund the ARC, recognizing that savings will result over time and on an annual basis when the pay-as-you-go amount exceeds the ARC.

Rating Agencies

Credit rating agencies have stated that they will consider OPEB funding status in their evaluations of a government's financial condition. It is possible that, over time, bond ratings may suffer for those governments with large and/or mounting liabilities and no plan to deal with these future costs. This may be particularly true as certain states and local governments move forward with OPEB strategies while others do not.[18] The extent to which a local government's OPEB funding status affects its overall credit rating may depend on a number of factors, including the issuer's current rating and a comprehensive review of the issuer's finances.

CONCLUSION

The disclosure requirements of GASB 45 will increasingly focus attention on governments' management of nonpension retiree benefits and their plans for addressing these costs in the future. The need to intelligently control and manage the cost of other retirement benefits is imperative as governments strive to attract qualified employees and protect retiree health care while supporting other public priorities. How New York State and its localities deal with this issue will have important implications for public policy at a time when many local governments are already facing mounting fiscal stress.

OPEB is an issue which, like many faced by government officials, requires thoughtful and careful analysis. There is time to deal with this issue, but no time to waste. Those individuals who are currently receiving these benefits, as well as those who will retire in the future, are depending on public officials to make decisions in ways that protect their continued health care as well as the continued fiscal health of the governments they have served.

Endnotes

[1] Extrapolated from information provided in the *New York State/SUNY GASB 45 Postemployment Healthcare Benefits April 1, 2006 Actuarial Valuation*, Buck Consultants, May 15, 2007.

[2] The Consolidated Omnibus Budget Reconciliation Act (COBRA) provides certain former employees, retirees, spouses, former spouses and dependent children the right to temporary continuation of health coverage at group rates.

[3] U.S. Government Accountability Office (GAO), *State and Local Governments: Persistent Fiscal Challenges Will Likely Emerge Within the Next Decade,* GAO-07-1080SP, Washington D.C., July 18, 2007, www.gao.gov.

[4] The Kaiser Family Foundation and Health Research and Educational Trust, *Employer Health Benefits: 2007 Annual Survey, Summary of Findings,* September 2007, www.kff.org/insurance.

[5] 2008-09 New York State Executive Budget Five Year Financial Plan, Division of the Budget, January 2008.

[6] GAO, *State and Local Government Retiree Benefits: Current Funded Status of Pension and Health Benefits*, GAO-08-223, Washington D.C., January 2008, www.gao.gov.

[7] GAO, *State and Local Governments: Growing Fiscal Challenges Will Emerge during the Next 10 Years*, GAO-08-317, Washington D.C., January 2008, www.gao.gov.

[8] The Pew Charitable Trusts, The Pew Center on the States, *Promises with a Price: Public Sector Retirement Benefits,* December 18, 2007, www.pewtrusts.org.

[9] The Pew Charitable Trusts, *Promises.*

[10] Standard and Poor's, *U.S. States are Quantifying OPEB Liabilities and Developing Funding Strategies as the GASB Deadline Nears,* McGraw-Hill Companies, New York, November 12, 2007.

[11] The Pew Charitable Trusts, *Promises.*

[12] Government Finance Officers Association, RFP Checklist for OPEB Actuarial Valuation, January 2006, www.gfoa.org/committees/corba/.

[13] Office of the State Comptroller, *GASB 45 & OPEB Frequently Asked Questions*, www.osc.state.ny.us/localgov/pubs/opeb45faqs.htm.

[14] The Pew Charitable Trusts, *Promises.*

[15] Government Finance Officers Association, preliminary results of a survey of the states, March 2008.

[16] Extrapolated from information provided in the *New York State/SUNY GASB 45 Postemployment Healthcare Benefits April 1, 2006 Actuarial Valuation,* Buck Consultants, May 15, 2007.

[17] The Pew Charitable Trusts, *Promises.*

[18] Moody's Investors Service, *Other Post Employment Benefits: New Accounting Requirements to Shed Light on Cost of State and Local Retiree Health Benefits; Funding Pressures Expected to Vary Widely*, July 2005.

New York State
Office of the State Comptroller

Division of
Local Government and School Accountability

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