POST-EMPLOYMENT HEALTH & WELFARE BENEFIT COSTS MUST BE DISCLOSED ON MUNICIPAL FINANCIAL STATEMENTS

The Government Accounting Standards Board (GASB) Statements 43 and 45 require the disclosure of costs and liabilities relating to post-employment benefits other than pensions on the financial statements of the plan (GASB 43) and on the financial statement of the governmental entity (GASB 45). Benefits other than pension include medical, prescription drug, dental, vision, hearing, life insurance, long term disability, long term care and death benefits.

The new financial statement disclosures are being phased in over a three-year period based on annual revenues of the governmental entity for the first fiscal year ending after June 15, 1999 as follows:

Phase 1: For those having $100,000,000 and over in annual revenue:

- The Plan must disclose for reporting periods beginning after December 15, 2005, and
- The Governmental Entity must disclose for reporting periods beginning after December 15, 2006.

Phase 2: For those with $10,000,000 to $100,000,000 in annual revenue:

- The Plan must disclose for reporting periods beginning after December 15, 2006, and
- The Governmental Entity must disclose for reporting periods beginning after December 15, 2007.

Phase 3: For those with less than $10,000,000 in annual revenue:

- The Plan must disclose for reporting periods beginning after December 15, 2007, and
- The Governmental Entity must disclose for reporting periods beginning after December 15, 2008.

A GASB 43 Plan disclosure is required when an irrevocable trust has been established as a repository of post-employment benefit assets only.

Governmental employers should consider taking steps to develop an implementation strategy and build the necessary accounting and actuarial reporting systems to prepare for the new accrual-based versus cash-based accounting disclosures for several reasons:

- Governmental entities that issue bonds to fund their regular and ongoing activities may have their credit ratings negatively affected by disclosure of these liabilities, resulting in a higher interest cost for issuing bonds.

- Employers are often shocked by the size of these future liabilities and may want to begin to manage these benefit promises through plan redesign. More importantly, if the benefits are the result of collective bargaining, any such efforts to redesign the benefits will have to be coordinated in advance of such negotiations.

- If the benefits are the result of collective bargaining, any future negotiations dealing with improvements should be thoroughly analyzed prior to agreement so that their impact on financial statement liabilities is known in advance.

Beyer-Barber Company has been preparing disclosures of post-employment benefits other than pension for our corporate and not-for-profit clients since the accounting profession adopted such rules in the early 1990's. That experience, along with the fact that we perform pension valuations for over 250 governmental entities, makes us the perfect choice to assist you now from both an experience and a cost effective standpoint.

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