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PA #06-11

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Dear Chief Executive Officer:

As you may know, in 2004 the Governmental Accounting Standards Board (GASB) issued Statements 43 and 45 which establish uniform financial reporting standards for Other Post Employment Benefits (OPEB). In the future, this reporting is to be included on the audited financial statements of public employers; pension benefits currently are required to be reported in this manner. To find out when your agency must comply with the OPEB reporting requirements you should refer to the timetable issued by GASB which provides compliance dates based upon public employers' revenues.

Over the past several months, a number of agencies participating in the New York State Health Insurance Program (NYSHIP) have contacted us with questions about NYSHIP and these GASB requirements. This memo addresses the role of the Department of Civil Service (DCS) in assisting Participating Agencies (PAs) to comply with the GASB standards for their NYSHIP enrollees and dependents. If your agency issues a financial statement in accordance with generally accepted accounting principles (GAAP) for governments, it is very important that you read this letter carefully. Also, please share it with your agency's chief financial officer and/or your financial consultants, as well as your agency's independent auditor.

Responsibility for OPEB Valuation

As the result of discussions with the Office of the State Comptroller and the DCS's actuarial consultant, it has been determined that NYSHIP is a cost sharing multiple-employer plan, not administered as a formal trust or equivalent arrangement. NYSHIP is classified as an agent multiple-employer plan for financial reporting purposes; as a result, **each Participating Agency must value its own OPEB obligation in accordance with GASB 45.**

Information Provided by the DCS

Although DCS will not be performing any part of the OPEB valuation for your agency, we will be providing you with key information that you may elect to use in conducting your own valuation. First, by the end of July of this year, the DCS plans to provide PAs with the actuarial assumptions that the State is expected to use in developing the State's OPEB valuation. These assumptions will include:

- Economic assumptions, such as expected long-term health care trend rates, Medicare Part B premium trends and the discount rate; and
- Demographic assumptions, such as termination rates, retirement rates and mortality rates.

This information will be provided solely as a guide; each agency should assess its own demographics and healthcare environment in order to develop the actuarial assumptions most appropriate to its own population. Furthermore, for agencies that provide its retirees or other former employees with other post employment benefits not through NYSHIP, such as medical benefits through HMOs or other benefits such as dental and life insurance, each PA will need to determine its own actuarial assumptions appropriate for valuing these benefits.

One important assumption used in measuring retiree medical benefits is the per capita healthcare plan cost. GASB 45 indicates this should be based upon claim cost or age adjusted premiums. However, an exception is provided allowing community-rated plans to use unadjusted net premium rates. The Department's actuarial consultant believes that, at the PA level, the Empire Plan is community rated; each agency pays a contribution to the Empire Plan based on the overall experience of the Plan, irrespective of an individual PA's claim experience. We, therefore, believe it is appropriate for PAs to use unadjusted net premium rates to establish per capita plan costs; thus, DCS will not be providing individual claim experience to PAs. It is up to each PA along with their advisor to determine whether unadjusted or age adjusted premium rates will be appropriate for their own measurement of GASB 45 costs. However, after DCS has developed its own per capita healthcare plan costs, it will be shared with PAs; an agency may choose to use this information to develop its own projections.

Agency Census Data

The DCS also will provide census data to PAs upon request which will be current at the time it is provided and include selected information for each agency's enrollees and covered dependents. **Please ensure that your NYBEAS file is up-to-date including correctly identifying and coding retirees before requesting census data.**

To request a copy of your agency's census information, send an E-mail to david.ellers@cs.state.ny.us and include your name, agency name, code number, mailing address, phone number and E-mail address. The census data will be transferred to a CD and mailed to you.

Additional Background Information

Those wishing to learn more about OPEB reporting will find useful background information on the following websites:

<http://www.ifebp.org/pdf/webexclusive/06may.pdf>
http://www.civicfed.org/articles/civicfed_202.pdf
www.gasb.org

This memo is intended to provide general information about the new GASB accounting standards. It does not offer legal, accounting or actuarial advice or purport to treat all of the issues surrounding this topic. Each agency should review the impact of GASB 43 and 45 on its financial reporting with its financial advisors.

If you have any questions regarding this memo or the information the DCS will be providing to assist you in your OPEB valuation, please feel free to contact Mr. David Ellers of our Public Employer Liaison Unit at (518) 485-1771.

Sincerely,

Robert W. DuBois, CEBS
Director
Employee Benefits Division

cc: Health Benefits Administrator