



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

KATHLEEN BABINEAUX BLANCO
GOVERNOR

JERRY LUKE LEBLANC
COMMISSIONER OF ADMINISTRATION

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OSRAP MEMORANDUM 06-25

TO: Fiscal Officers
All ISIS Entities

FROM: Afranie Adomako, CPA
Director

SUBJECT: Implementation of Other Post Employment Benefits (OPEB)

In 2004, the Governmental Accounting Standards Board (GASB) issued two statements related to Other Post Employment Benefits (OPEB):

- In April, 2004 it issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43); and
- In June 2004, it issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment (OPEB) Benefits Other Than Pensions* (GASB 45).

Who is affected by the standards? All employers who follow Generally Accepted Accounting Principles (GAAP) and offer postemployment benefits other than pensions (see next paragraph) will be subject to the new accounting, reporting, and disclosure requirements.

What is OPEB? OPEB (other postemployment benefits) includes benefits other than pensions and termination incentives provided to former employees. Examples of OPEB include medical, dental, vision coverage, life insurance and long-term care. Note that some of these benefits may be provided by a pension plan. In that case, GASB 45 applies only to the healthcare benefits and GASB 27, which addresses pension plans, applies to the rest.

When should we get started? GASB 43, which covers all aspects of accounting and financial reporting for OPEB plans, is effective for periods beginning after 12/15/05 or FY 2007 for Louisiana, while GASB 45 provides definitive guidance for employers equivalent to that provided for OPEB plans in GASB Statement NO. 43 and is effective for periods beginning after 12/15/06 or FY 2008 for Louisiana.

Where do the numbers go? The Annual OPEB Cost will be reported on the income statement, and the Net OPEB Liability, if any, will appear on the balance sheet.

Why do we have to accrue for OPEB for active employees? Employees earn a right to postemployment benefits during their working years. The goal of accrual accounting is to match the cost of an employee's services, including long-term obligations such as OPEB, to the employees period of active service. Thus GASB concluded that the current generation of users of governmental services should recognize the cost of government services as they accrue, even though the benefits are actually paid later. This is analogous to the treatment of pension benefits under GASB 27.

How often must we measure our liability? Plans with 200 or more members will require an actuarial valuation at least once every two years, and plans with less than 200 members will require an actuarial valuation at least once every three years. Note that "members" includes all retirees and beneficiaries currently receiving benefits, as well as all current active employees and deferred vesteds who may ultimately earn a right to receive OPEB. Plans with less than 100 members may choose to take advantage of a "simplified plan alternative" and forego an actuarial valuation.

For ISIS agencies that use Office of Group Benefits (OGB) for their health care benefits, OSRAP will acquire the actuarial numbers from OGB and their actuaries for you.

If you have any questions, please call Afranie Adomako at 225-342-1091 or Ms. Deborah Zundel at 225-342-0710.

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