



Minutes from the GASB 45 Taskforce April 30, 2008

The first meeting of the GASB 45 Taskforce was convened April 30, 2008 at 6pm.

Attendance:

Members of the Task Force: Jerry Marinich (Legislature), Vince Pasquale (Binghamton University), Donna Rider (Community Member), Mark Whalen (Legislature), Alan Hertel (NYSEG).

Internal Members of Task Force: Michael Klein (Personnel Dept.), Aaron Marcus (Law Dept.), Eric Denk (Legislature), Mike Hanbury (Legislature), Jerome Knebel (Finance Dept.), Bob Murphy (Risk & Insurance), Jennifer Royer (Legislature).

Press & Media: Nancy Dooling (Press & Sun Bulletin).

Legislators: Suzann Buchta (Legislature), Gene LaBare (Legislature), John Black (Legislature), Joe Sanfilippo (Legislature).

Others Present: John D. Harvey (Controller, Central Business Office), JoAnn Mastronardi (CSEA, Inc.), Grant Newton (BCC), Sharon Exley (Town of Dickinson/ County Clerk),

Opening:

Mark Whalen, Chairman of the Legislature introduced the group to Governmental Accounting Standard Board (GASB) Statement No. 45. Reporting under GASB Statement No. 45 is required for those municipalities who bond for capital improvement projects (as an example). Currently, Other Post-Employment Benefits (OPEB) is paid for on a pay-as-you-go system and gets kicked down the road to future generations and future legislatures. Broome County has received OPEB estimates from an actuarial firm BPA-Harbridge, and the numbers are huge. This taskforce is an educational process for legislators because this is such a complex issue, it's very expensive, and it tends to scare

people. It scares retirees and it scares the public & taxpayers who think it's a sign of wasteful government.

Mike Hanbury the new Legislative Aid did his Master's Thesis for his MPA on GASB 45. He will be presenting Broome County's Task Force with information and options for dealing with OPEB liabilities.

This taskforce was set up to help focus on the issues of GASB 45 requirements and management of the County's OPEB liability. Any ideas that the taskforce comes up with have to be legally, financially and socially responsible.

Jenni Royer will be taking general notes of the meetings. The desire is to keep politics out of these meetings because this is about the future of our children and about a free-flow of ideas. There will be links on the Legislature website with the generalized notes.

Committee Members were introduced and it was explained that meetings might be moved due to the parking situation coming up in June.

Chairman's 5 Step Plan:

Mike Hanbury - This first meeting is more of an educational meeting to help people understand the complexities of GASB 45, the Chairman's 5 Step Plan, and OPEB. A handout that described these issues was distributed to those in attendance. The five steps that were presented are: 1. Assemble the OPEB Task Force. 2. Quantify the OPEB liability. 3. Consider OPEB funding options. 4. Analyze OPEB options. 5. Implement OPEB strategy.

Video Presentations:

Video presentations are from a conference for the International Association of Fire Fighters (IAFF).

The first video was a presentation by Karl Johnson, Project Manager of the Governmental Accounting Standards Board. Karl Johnson supervised the formation of GASB Statement No. 45. This presentation gave a brief description of what GASB is and why it was established, as well as present a background and description of GASB Statement No. 45.

The second video was a presentation by Richard Johnson, Senior Vice President of the consulting firm Segal Company, explaining in detail OPEB, actuarial methods and assumptions, subsidies, and ways to manage this liability.

Discussion:

Chairman Whalen -One of our goals is to determine where Broome County stands in regards to the County's OPEB obligation.

Mike Hanbury passed out a chart that described the net present value of unfunded liability – at \$340 Million if nothing is done or changed.

Chairman Whalen - Such a number would require presently a 34% tax increase and placement of that money into an account. Other possibilities are that we could bond to pay for the liability, or look at conditions of coverage for employees & spouses after 10 years of service. Most local governments (county, city and municipal) have different rules on their post-employment benefits. They are all over the board. We can look at what everyone's terms are for OPEB.

Chairman Whalen - Any way that we move towards a resolution – we need to deal with this issue thoughtfully. It's a soft liability – that means our \$340 million (NPV) liability can change significantly due to the interest rates, longevity tables, cost sharing arrangements, and changes in state and federal law, etc. Hard liabilities such as capital construction bond repayment costs are fixed and therefore easier to plan for. This issue is not one where we look to lay blame, but one where we look for ideas on how to address it. It still needs to be paid. It could cause an increase in taxes or cause lowering of bond ratings and therefore lead to higher costs for projects if it isn't adequately addressed. Taxpayers and policymakers alike have to be informed about the true cost of current services that are provided.

Chairman Whalen - This is not just a local issue. Unfunded OPEB liability is an issue all over the country. We need to look at the causes and potential repercussions. Unfunded liability is an important issue. Companies looking to locate to a community can look at the amount of unfunded liability to determine who will most likely be raising taxes in the future.

Mr. Marinich - asked *Mr. Knebel* a question about the county's current constitutional debt limit.

Mr. Knebel - Currently he doesn't think that OPEB benefits are legally bondable, but Broome County's total debt in comparison with the County's constitutional debt limit is around 41%.

Chairman Whalen - We need to determine a way to address this growing liability. If we continue on a pay-as-you-go system, our OPEB unfunded liability will negatively impact our bond rating and leave our children with a huge debt to pay.

Chairman Whalen - Gathering information about GASB 45 and gathering information about our health insurance program will help us to make policy decisions that will accurately demonstrate or reflect or fund our current cost of providing governmental services.

Chairman Whalen - People & businesses will be looking at communities OPEB liabilities when they site a company as an indicator of future tax increases. Hopefully this Task Force can come up with a series of recommendations to forward to the Legislature and the County Executive.

Chairman Whalen - There are different situations in the municipalities – and we're all going to have to deal with this issue. We owe it to our constituents as elected officials to address it responsibly in order to strengthen the future of our community. We need to have this discussion.

Donna Rider - Will this Task Force be delving into data issues?

Chairman Whalen - We will be looking at our plan and different groups in our health insurance plan, qualification & benefits for the plan, cost sharing, etc. That's why we planned 6 months to deal with this issue as a taskforce.

Jerry Marinich - There are going to be a lot of hard decisions – especially regarding those who are not yet hired and those who retire after 10 years of service.

Chairman Whalen - The OPEB liability of 340 million does not count those who have not yet come to work for Broome County.

Vince Pasquale - Stated that it's easy to plug those future workers into a schematic.

Chairman Whalen - We need to look at regulatory and legal situations in NY State – what we are allowed to do and what we aren't allowed to do. That will dictate our recommendations and where we invest our time & brain power.

It was pointed out by a member that long term decisions that are made by Federal and State Governments could change our policy decisions drastically.

Chairman Whalen - Stated that we can't sit back and hope that the Federal and State Governments will come up with something, like universal coverage, to solve this issue. We need to do it.

Closing:

Mike Hanbury - stated that we will be looking at Rating Agencies perspective on governments OPEB liabilities as well as what other counties in New York State are doing to manage their OPEB liability. For example, Chautauqua County was the first county to take on this issue.

Michael Hanbury - The next meeting will be at 6 pm on May 14, 2008 in the Legislative Conference Room.

Michael Hanbury - Distributed note-cards to attendees for questions to be asked at the next meeting.

The meeting was adjourned at 8:05 pm.