

March 22, 2004

Director of Research  
Project No. 22-2R  
[director@gasb.org](mailto:director@gasb.org)

RE: Revised exposure draft – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)

Dear Director:

The Illinois Government Finance Officers Association (IGFOA) has reviewed the aforementioned revised exposure draft and respectfully asks that GASB reconsider its view and continue to exempt employers from accounting for the rate subsidy provided to retirees as a result of their participation at a blended premium rate in the same group used to provide healthcare benefits to active employees.

The accounting for implicit costs is an unnecessary burden on units of government, is contrary to the traditional concept of group health plans and is counter to State of Illinois law which requires municipalities to offer post retirement health plans at the same cost as active employees to their retired police officers and firefighters. Furthermore, implicit accounting may inadvertently discriminate against retired police and firefighters who generally retire earlier than civilian employees, as well as Medicare eligible participants whose medical costs to the group plan are diminished by Medicare coverage. In addition, the cost and time involved to determine the retiree expected claims costs would increase administrative costs in these days of increasing health insurance costs.

GASB's assertion that implicit benefits to retirees in a group health insurance plan need to be actuarially determined is contrary to the philosophy and practice of "group" healthcare plans. Participants in a group health plan have an understanding that premium rates are determined by the experience of the whole. To blatantly determine that older retired members should be accounted for differently than younger active employees will only lead to more questions than answers. Age by itself is not the only factor that effects claim costs. An unhealthy group of active employees may also be driving the health care cost. For instance, generally families of more than four and cancer patients have higher claim costs and the average participant.

Should the actuarial determination of implicit costs segregate between the retirees that are Medicare eligible or not? Group plans reduce rates to Medicare participants, which is a result of Medicare paying for a large portion of the medical coverage other than prescription drugs. Maybe the implicit accounting

should distinguish between groups of retirees; those who drive the cost and those that do not.

Another variable would be that police officers and firefighters retire at least ten years before a civilian. Therefore, there would be no implicit cost for them during the first years of their retirement.

We disagree with the Board that users of financial reports would benefit from this accrual. Health care claim costs are incurred to the group, by the group, and not attributable to retirees. Please reconsider your change, and continue to exempt employers from accounting for a “rate subsidy” provided to retirees.

Thank you for your consideration. Should you need additional information please feel free to contact Jim Egeberg at [jegeberg@desplaines.org](mailto:jegeberg@desplaines.org) or 847-391-5328.

Yours truly,

Technical Accounting Review Committee  
Illinois Government Finance Officers Association