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Government Retiree Costs to Be Put in the Spotlight.

State and local governments will have to add hundreds of billions of dollars in retiree obligations to their books under rules enacted Tuesday that spotlight the growing costs of health insurance and other benefits owed to former municipal employees.

The new rules approved unanimously by the Governmental Accounting Standards Board, which sets accounting rules for states and municipalities, will require governments to carry their unfunded retiree-benefit obligations on their balance sheets—thus making their overall financial position look worse. Currently, governments are required only to disclose the benefit costs in the footnotes to their financial statements.

In addition, governments will have to use more conservative interest-rate assumptions in calculating the value of benefit obligations that they haven't funded. That could increase the current value of the obligations, thus worsening the plans' funding shortfalls.

The changes are intended to provide more information to taxpayers, policy makers and municipal-bond analysts, GASB Chairman David Vaudt said in a statement. The rules won't require governments to commit more money to pay for retiree benefits, nor do they require any changes in the level of benefits provided to retirees. But by making benefit costs more visible, the changes could prompt more governments to take action to address rising benefit costs.

"I think we would expect to see ongoing efforts by governments to control these costs," Moody's Investors Service analyst Marcia Van Wagner said.

The rising costs of retiree benefits have plagued state and local governments and have played a role in the bankruptcies of cities like Detroit. According to Moody's, state governments alone had $454 billion in unfunded retiree-benefit liabilities for 2013, the most recent data available.

"These costs have been rising pretty significantly, and it's a cost states want to control," Ms. Van Wagner said.

GASB's new rules, which were first proposed in May 2014, will take effect in mid-2016 for benefit plans and in mid-2017 for governments themselves. They parallel similar changes that GASB enacted in 2012 regarding state and local governments' disclosure of their pension obligations.

THE WALL STREET JOURNAL

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Updated June 2, 2015 5:37 p.m. ET

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