

The MTA Can Pay

Government Accounting Standards Board and Other Post-Employment Benefits

-Backgrounder-

What is the Government Accounting Standards Board?

The Government Accounting Standards Board (GASB) is a private, non-governmental organization that sets standards for governmental accounting.

What is GASB 45?

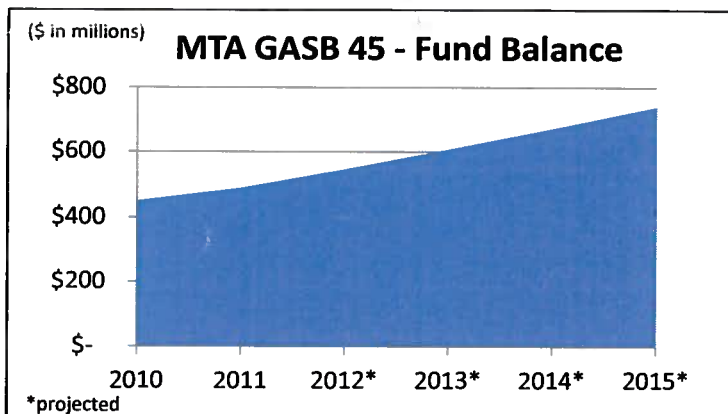
Government Accounting Standards Board Statement 45 (GASB 45), was issued in June 2004, and established reporting standards for “other post-employment benefits” offered by state and local governments. These new standards call on state and local governments to report today the future liability of those benefits, as calculated by specified actuarial methods.

What are other post-employment benefits?

Other post-employment benefits (OPEB) are non-pension retiree benefits such as retiree medical, dental, and prescription coverage. Pensions are **not** included.

How does the MTA pay for OPEB?

The MTA pays for those benefits out of general operating funds on a pay-as-you-go basis. This is the same way it paid for OPEB before the MTA implemented the GASB 45 standard on March 31, 2007, and this is the same way New York State and New York City cover their OPEB costs.



What is the MTA GASB 45 Fund?

This is a reserve fund created in 2006 to offset future liabilities due to OPEB. According to MTA budget documents, at the end of 2011 the fund has a balance of approximately \$489 million. The MTA is budgeting annual contributions of ~\$60 million in years 2012-15 totaling \$250.

Is the MTA required to contribute to, or maintain such a fund?

No. Compliance with GASB 45 only requires acknowledgement of future costs, not funding. In fact, in 2011 due to budget constraints, the contribution was zeroed out only to later be restored to \$39 million.

Has the MTA's GASB 45 Fund ever used for anything?

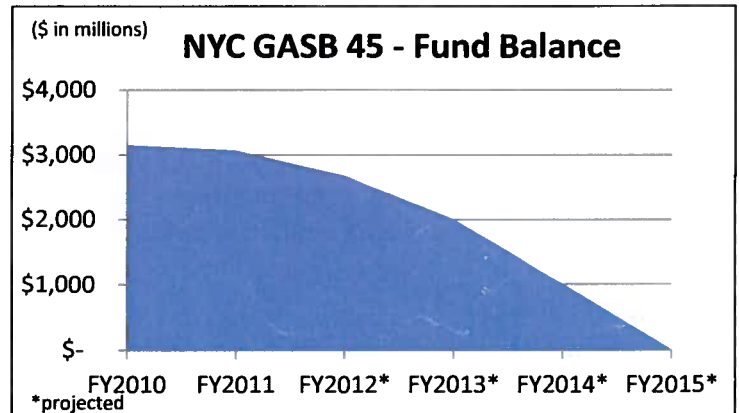
In 2008 the MTA drew out \$118 million, *not* for OPEB expenses¹. Additionally, in 2009 and 2010, short-term inter and intra-agency loans have been made to address cash flow issues.

Does New York State have a GASB 45 Fund like the MTA?

No. The State never established such a fund, nor have they set aside any money.

Does New York City have a GASB 45 Fund like the MTA?

Yes. The City of New York began funding a Retiree Health Benefits Trust Fund (RHBTF) shortly before the MTA established its fund. However, the City is no longer funding the RHBTF and is on pace to draw down its assets completely by the end of Fiscal Year 2014. In FY2011 NYC spent down \$395 million and is budgeted to spend \$672 million in FY2012 and \$1 billion in both FY2013 and FY2014.ⁱⁱ



With the MTA's budget constraints, what has been the impact of paying into this fund?

In 2010 the MTA paid in \$67 million, the same year it cut service by \$62 million.ⁱⁱⁱ

Are there any legal obstacles to the MTA drawing down the GASB 45 funds?

No. The money can be used to restore service and provide modest cost of living wage increases.

ⁱ MTA November Financial Plan 2009-2012, page II-32

ⁱⁱ NYC OMB Four Year Financial Plan Revenue and Expenditures, November 2011

ⁱⁱⁱ MTA – 2009 AABB Implementation Document