

Governmental Retiree Health Programs

State and local government employers frequently have large and growing retiree healthcare liabilities. In light of recent changes in Governmental Accounting Standards Board standards, governments are exploring the use of various forms of trusts to hold assets offsetting their liabilities, and also looking for ways to put monies into these trusts on a tax-favored basis. We have a long history of working closely with governmental employers to identify and implement the funding solutions that best address their needs. Examples of the types of assistance we have provided include the following:

- Helping government employers analyze alternative funding vehicles to provide desired flexibility and minimize IRS compliance tasks and costs.
- Examining various options for employees to assist in funding for future retiree health care needs.
- Designing a retiree Health Reimbursement Arrangement for a State governmental employer, under which employee unused sick leave that has been accumulated may be converted upon retirement to funds that are allocated to individual accounts for medical expense reimbursement.
- Establishing an "Integral Part Trust" for a municipality for funding retiree health care liabilities, and obtaining an IRS ruling that such trust is exempt from tax.