



STATE TEACHERS
RETIREMENT SYSTEM
OF OHIO



SCHOOL EMPLOYEES
RETIREMENT
SYSTEM OF OHIO

New GASB Reporting Standards Talking Points for Stakeholders

New standards impact accounting, not funding

Under old standards, employers reported pension expense equal to the amount they remitted as statutory contributions. Employers were required to include in their Notes to the Financial Statements information describing the plan, contribution rates and where to find information about the plan.

Under the new standards, employers will be required to report a proportionate share of the retirement system's net pension liability (or unfunded liability) on their financial statements, and other related activity, including pension expense for employers under a new methodology. However, employers are not required to pay more than the current statutory contribution. Employers will also have to add extensive disclosures. The requirement to report the liability may represent a significant figure on employer financial statements, but does not affect the amount employers are required to fund under Ohio law.

No change in employer funding obligation or contribution rate

Unlike many other states, Ohio's employer contribution rates are set in statute, and Ohio consistently meets its required contributions. Employers are currently paying their share of SERS' and STRS Ohio's net pension liability over time by contributing the required rates. Contribution rates and funding requirements are not impacted by GASB 68. The new standards only impact financial reporting and not the amount employers are required to fund under Ohio law.

Adjusted pension reporting should affect very few employers' financial ratings

Ohio Auditor of State Dave Yost has indicated his office does not plan to use this liability when determining fiscal caution, watch or emergency. Financial ratings companies have indicated they have been considering exposure to pension liabilities in their rating determinations for years as just one element to consider. Ratings are not impacted by exposure to pension liabilities alone, but rather a combination of factors that agencies are evaluating. Moody's has publicly stated that it estimates 98% of government entities will see virtually no impact on their ratings as a result of these new reporting requirements. However, Moody's will recalculate the pension liabilities based on their own criteria.

Systems are partnering with employers and Ohio's Auditor of State to implement the new requirements

All the Ohio systems, including SERS and STRS Ohio, have been educating employers throughout the state to help them understand the new GASB standards and reporting requirements. Our websites were updated to include additional GASB resources and we continue to offer various avenues to educate and inform our employers on these new requirements (webinars, newsletters, workshops, etc.). The retirement systems are working in coordination with the Auditor of State's Office to help employers understand and meet the new requirements.

Systems are managing the unfunded liabilities

In 2009, the systems worked with legislators and stakeholders to seek changes that would strengthen the financial condition of the retirement plans. The process concluded when Ohio's General Assembly passed pension reform bills to improve funding for the systems. These pension reforms reduced unfunded liabilities. This legislation and stronger than expected investment returns have helped systems to meet or continue to meet the state's requirement to be able to amortize the unfunded liabilities within 30 years.

House Concurrent Resolution 40

In 2014, Ohio's 130th General Assembly passed House Concurrent Resolution 40 to acknowledge the GASB standards 67 and 68. The General Assembly pledged its continued support of Ohio's public employers and retirement systems in their mission to provide secure and sustainable retirement, disability and survivor benefits to Ohio's public employees. The resolution reads in part, "GASB standards 67 and 68 are accounting standards, and do not affect the actual liability or required contributions of Ohio's public retirement systems or Ohio's public employers."