



Five things you need to know about GASB reporting standards

The Governmental Accounting Standards Board (GASB) approved new rules that will require employers to include in their financial statements their proportionate share of Ohio's public retirement systems' net pension liabilities and annual expenses. GASB Statement 68, Accounting and Financial Reporting for Pensions, replaces GASB Statement 27 and is effective beginning with the fiscal year ending June 30, 2015. All STRS Ohio employers who prepare published financial statements on an accrual basis using generally accepted accounting principles (GAAP) are required to adhere to the standards of GASB 68.

1 New standards impact accounting, not funding

GASB Statement 68 requires STRS Ohio employers to report their proportionate share of STRS Ohio's net pension liability and annual expense in their financial statements. Historically, GASB viewed an unfunded pension obligation as a future liability rather than an existing one. A shift to an accounting-based approach from a funding-based approach will now require employers to report their share of the unfunded liability of the entire pension plan on their balance sheets. The pension system's unfunded liability is not new, but the requirement for employers to recognize a share of the liability is a new GASB rule. 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.

2 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 STRS Ohio's net pension liability over time by contributing 14% of payroll, a rate that has not increased since 1984. Contribution rates and funding requirements are not impacted by GASB 68. The new GASB standards only impact financial reporting and not the amount employers are required to fund under Ohio law.

3 Adjusted pension reporting should affect very few employers' financial ratings

Ohio Auditor of State Dave Yost said his office will not use this liability when determining fiscal caution, watch or emergency. Financial ratings company Moody's estimates that 98% of government entities will see virtually no impact on their ratings as a result of Moody's financial ratings methodology.

4 STRS Ohio is partnering with employers and Ohio's Auditor of State to implement the new requirements

STRS Ohio has been working to educate employers throughout the state and to help them understand the new GASB standards and reporting requirements. STRS Ohio developed a GASB Resources section on its employer website and has addressed GASB education through workshops, newsletters and email news updates. STRS Ohio is also working in coordination with the Auditor of State's office to help employers meet the new requirements.

5 STRS Ohio is making progress in reducing the pension system's unfunded liabilities

The State Teachers Retirement Board began planning to strengthen the financial condition of the retirement system in 2009. The process concluded when Ohio's General Assembly passed Substitute Senate Bill 342 in 2012. These pension reforms reduced STRS Ohio's unfunded liabilities by more than \$15 billion. Stronger than expected investment returns in fiscal years 2013 and 2014 have helped STRS Ohio meet the state's requirement to be able to amortize the unfunded liabilities within 30 years.

In 2014, Ohio's 130th General Assembly passed House Concurrent Resolution 40 to acknowledge the Governmental Accounting Standards Board standards 67 and 68 and to pledge the General Assembly's 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, not funding standards, and do not affect the actual liability or required contributions of Ohio's public retirement systems or Ohio's public employers."