Letter of Comment No. 406 File Reference: 34-E Date Received: 10/14/11

Director of Research and Technical Activities Project No. E-34 Governmental Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

RE: GASB Statement No. 27 – Exposure Draft – For Multiple Employer Plans

Lucas County, Ohio participates in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiemployer plan with approximately 3,700 employers. Concerns exist related to the Governmental Accounting Standards Board (GASB) Statement No. 27, Accounting and Financial Reporting for Pensions, which changes the manner in which participants in government sponsored pension plans account for and report pension assets and liabilities in their financial statements.

Although this proposal may work with single employer and agent multi-employer plans, it conflicts with the purpose of pooling assets and liabilities in a cost sharing multi-employer plan such as OPERS. Moreover, there are several issues associated with implementing the proposed standards for multiple employer cost sharing plans that potentially distort financial statements, which may lead to misleading conclusions and additional, unnecessary costs and accounting procedures, as outlined below:

- Structure of Pension Plan per Statute As indicated, OPERS is a cost-sharing multi-employer plan in the State of Ohio. Employer participation in the plan is established by an Ohio statute that also dictates employer contribution rates and the benefits to be received by our employees (ORC 145.40; 145.47;145.48). A participating OPERS employer does NOT possess control over contribution rates and benefits offered, or the methodology in which those contributions and benefits are calculated. Changes in existing contribution rates or benefit levels require action by Ohio's legislature. Only the OPERS has the legitimate authority to request contribution and benefit changes for legislative consideration and action. Ultimately if there was a plan termination, default, or some other unlikely event, the state legislature would need to determine the final dispensation of any unfunded liability. Therefore, any allocation of liability to the employer is arbitrary, capricious, and misleading. Thus, the assignment of the liability is both inappropriate and inconsistent with Ohio statutes.
- Validity of Allocation, Timing Issues & it's Implications There exists no discernable manner in which an Ohio public employer may ascertain the validity of an OPERS assignment of liability to our jurisdiction. Presumably, Ohio plan participants will receive this information from the State of Ohio, a third party of which we have no legal control over. Additionally, there's also a risk for a significant delay in obtaining allocations from the State. All of these factors create an unnecessary, potential risk for an auditing firm that may withhold their opinion should the firm not be confident in the numbers provided. Finally, there exists a risk that delays in this process will reduce the significance that the accounting field attaches to timely reporting.
- <u>Fiscal Considerations</u> There are also a number of potential monetary issues resulting from GASB No. 27 reporting for a multiple employer plan.
 - Bond Rating Implications Lucas County has managed its budget wisely and timely paid its
 pension contributions, resulting in favorable bond ratings. With the impact of GASB No. 27
 being material to our financial statements, the assignment of liability may lead to an
 unnecessary deleterious financial impact via a downgraded bond rating that is the result of an
 accounting machination that is completely outside of our control of the local government. This
 risk is a risk not worth taking.

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 Increased Costs/Government Waste - GASB No. 27 will require the involvement of actuarial specialists, and additional accounting and administrative expertise, which will further burden a governmental system looking to trim costs. This specter is especially disconcerting given a difficult economic environment, and especially for Ohio governments struggling with recent, substantial State cutbacks in funding.

3. Inconsistency with GAAP - This assignment of pension liability principle is inconsistent with GAAP in that a similar assignment for a private employer in a cost sharing or Social Security net pension liabilities on their financial statements would not be required.

The proposed changes in accounting standards have applicability to single and agent employer systems, but do not reflect the best interest of multiple employer cost sharing plans such as OPERS. Proposed GASB No. 27 changes may result in volatile and misleading financial reporting that skews the actual financial position of participants of cost sharing employer plans, while raising costs. For this reason, it is most prudent to reevaluate the applicability of this requirement to cost sharing employer plans.

Respectfully submitted,

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