Letter of Comment No. 188 File Reference: 34-E Date Received: 10/12/11

From: Carrie Krenicky

Sent: Wednesday, October 12, 2011 8:03 AM

To: Director - GASB

Subject: GASB 27 Pension Reporting Comments

To the Director of Research and Technical Activities:

The Cleveland Public Library is a participating employer in the Ohio Public Employees Retirement System (OPERS). We are responding to the Governmental Accounting Standards Board (GASB) invitation to provide comments on its Exposure Draft, Accounting and Financial Reporting for Pensions and amendment of GASB Statement No. 27. This Exposure Draft addresses changes in the way participants in government sponsored pension plans account for and report pension assets and liabilities in their annual financial statements.

We appreciate the lengthy deliberative process undertaken by the GASB Board that culminated in the Exposure Drafts issued in June 2011, and understand the intent that the new financial reporting proposals are designed to standardize how participants in public pension plans disclose pension information in their financial statements. We appreciate your efforts to make financial reporting more transparent; however, we believe there are several challenges associated with implementing the proposed standards for multiple employer cost sharing plans.

Employer participation in the plan is established by state statute that also dictates employer contribution rates and the benefits to be received by our employees. As an employer, we have no control over the contribution rates assessed and we don't control the benefits offered or how they are calculated. Any changes to the existing contribution rates or benefit levels require action by the state legislature.

OPERS will provide us with our proportionate share of the net pension liability and pension expense. The calculation will be performed with the help of actuaries and include certain roll-forward calculations to derive balances as of our fiscal year end. These liabilities can represent significant items on employer financial statements, particularly those of small employers.

The Cleveland Public Library *chooses* to prepare it's financial statements in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP is a set of principles, standards and procedures that entities agree upon in order to prepare their financial data. It makes an entity's financials understandable, useful and helpful to it's constituents as it requires the information on the financial statements to be relevant, reliable, comparable and consistent. As governmental entities must be responsive to a number of different groups and organizations that are focused on monitoring their activities and services, the annual financial report is one of the most important types of communication that allow the entity to present it's financial position, it's operating results, while satisfying numerous and diverse objectives and using GAAP greatly assists with this communication.

We recommend that the net pension liability be reflected on the financial statements of the pension system where the assets for future pension benefits are also reported. Any allocation of the liability to the employer is arbitrary and misleading, and would suggest additional note disclosures of plan system information on the employers' financial statements. Just as private employers don't record their share of defined benefit Social Security or cost sharing net pension

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liabilities on their financial statements, we feel it is inappropriate for public employers to be subject to different accounting standards.

Reporting of pension expense and liabilities that are not representative of the employer's actual experience could lead to short-sighted decisions and ultimately lead to confusion and a lack of trust by the public. Additionally, we believe the proposed changes will lead to significant lags in the availability of information, dissemination of confusing information and significant additional costs.

Thank you for allowing us to submit our comments.

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