Questions for Users about Recognizing the Net Pension Liability

1. **Do you agree or disagree with the GASB’s proposal that governments recognize the net pension liability in their financial statements? Why do you agree or disagree?**

   Vehemently Disagree – In Ohio, the Ohio Public Employees Retirement System (OPERS) is a creation of the state legislature. Contributions are set and mandated by statute in the Revised Code. Control over the trustee is held by the state legislature, through the Revised Code. The obligation of the local government is to make the timely contribution payment to OPERS, of both the mandated employee and employer portions. That is the sole financial obligation of the local government.

   Given that the trust was established by the legislature of the State of Ohio; given that the control over the trustee and all irrevocable contributions is maintained by the State of Ohio; given that the determination of contribution requirements are determined and periodically updated by the State of Ohio; then, all liability for unfunded obligations should be reported by the State of Ohio. It is in the province of the state legislature to determine whether the full faith and credit of the State will be used to guarantee the trust, or whether the beneficiaries of the trust will be subjected to the risk that insufficient trust assets will be available to cover the defined benefits.

   GASB is attempting to unilaterally pronounce a new liability onto local governments by shifting a heretofore state obligation onto local government employers. Here in Ohio, as in many other states, it was the state that established the retirement system(s) for its public employees and the employees of its political subdivisions. It is the state that regulates the trustee, the contributions and has oversight for all actuarial assumptions.

   GASB is going far beyond the scope of pronouncing and clarifying accounting principles, policy and methodology. It is creating new law. It is attempting to find a liability to public employees that is within the province of state legislatures and should most appropriately be reported solely by the states and their respective retirement systems.

2. **How would recognizing the net pension liability in the financial statements affect any or all of the following:**

   a. **The usefulness of the information to the analyses you perform, the work you do, or the decisions you make?**
It would be very detrimental in that it would require us to secure additional funding to provide on-going operations with needed working capital. As a liability, it would decrease the amount of available dollars needed to appropriate funds for current operations.

b. **Your ability to assess a government’s accountability?**

Adding a liability to a government’s financial statements for an item that in most instances will never mature into an actual obligation of the government unit, will not only cause the financial statements to present an untrue reflection of the government’s fiscal responsibility, it will also cause a potentially huge, relative disparity in the financial statements of similar government entities in different states and/or different state retirement systems.

c. **Your ability to assess interperiod equity?**

As the valuation of retirement system’s portfolios and/or underlying actuarial assumptions change from period-to-period, the financial statements will not reflect a true picture of the operations and fiscal integrity of the government.