



EDITORIAL

New national accounting rules for public employee pension funds don't change the fundamentals, which in Ohio are good

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New accounting rules for states, local governments and school districts could, unintentionally, give Ohioans a distorted picture of the state's five public pension systems and their finances. And that could spawn campaign trail demagoguery about pension systems' financial soundness.

At issue are [new rules set by the Governmental Accounting Standards Board](#), a nongovernmental, nonpartisan, nonprofit group, that specify how some unfunded public employee pension liabilities are reported.

Ohio's state retirement systems have always reported their unfunded liabilities. And Ohio localities and school districts have always reported their annual employer share of pension contributions.

What's new, as the [School Employees Retirement System of Ohio](#) explains in a fact sheet, is that the accounting board is now requiring that financial statements issued by a local government or a school district report its proportionate share of the pertinent state pension system's net pension liability, suggesting "that [a] school district" (for example) "is responsible for paying that liability, when it is not."

Or, as the Ohio House and state Senate said in [a unanimously passed bipartisan resolution](#) (among co-sponsors: House Speaker William Batchelder, a Medina Republican), "The [new] standards 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."

Fortunately, Ohio isn't facing a pension mess like the one that bedevils Illinois or like the pension debate that the Republican-led Pennsylvania General Assembly, according to that state's Republican governor, is ducking.

Three of Ohio's five retirement systems (Public Employees; School Employees; and State Highway Patrol) have attained funding periods of 30 or fewer years, as required of pension systems by Ohio law, according to the Ohio Retirement Study Council. (A funding period is the time required for a pension plan to pay off all of its currently accrued benefits.) Ohio's Police and Fire fund has a 38-year funding period, the study council said – a significant improvement for that fund. The council reported that the State Teachers system's funding period is 40.2 years.

Still, the new accounting rules could unfairly ding bond ratings of Ohio localities and school districts. That would be misguided because, as a recent article in the trade journal *Pensions & Investments* observed, the new rules "don't affect reality; they merely provide a different means or reporting it." Potential demagogues -- and the credit rating agencies -- had better take note.