



By Lisa J. Morris

Preparing for the (Not-So-Great) GASB 68

As most school district treasurers know, the Governmental Accounting Standards Board (GASB) has changed the way pension liabilities must be reported on employer annual financial statements.

Even though school districts have another year before compliance with GASB Statement No. 68 is mandatory, the School Employees Retirement System of Ohio (SERS) is stepping up efforts to educate school business officials and media about what GASB Statement No. 68 is and isn't.

SERS is not a proponent of these GASB changes, but we are committed to full compliance. SERS' main objection to the changes was that in Ohio, pension systems are solely responsible for pension liabilities, not the employers. Once Ohio employers make their 14% contribution, their pension liability is fulfilled. We are concerned that once school districts begin showing their proportional share of SERS' pension liability on their annual statements, it will appear as if they are responsible for paying that amount, even though they are not.

The GASB changes will increase audit fees for SERS and school districts. SERS is already budgeting for the increased cost of providing additional information to school districts for their annual statements,

and additional audit testing of active member payroll at the selected employer locations. In addition, treasurers have expressed concern that district audit fees could increase due to the need to verify the significant liabilities that will be recorded on each employer's financial statements.

Reaching Out to Business Officials

SERS values its relationships with advocacy groups such as OASBO. Annually, SERS hosts a Pension and Health Care Roundtable for representatives from 12 advocacy groups that support SERS members and retirees. SERS also hosts two OASBO meetings that consist of a SERS update followed by an OASBO council meeting. GASB has been a regular topic of discussion at all of these meetings.

In addition, SERS' Finance Department has been following GASB developments since an invitation to comment was issued by GASB in March 2009. SERS has been gathering information from reputable sources that help explain the changes. To assist employers in learning about the GASB changes, SERS is sharing this information on its website at www.ohsers.org/GASB-68. This webpage contains links to SERS publications, GASB links, and audit-related links. New information will be added as it becomes available.

Educating the Media

Nothing attracts the attention of media like red numbers on financial statements, so SERS is taking a proactive approach to educating media about the forthcoming GASB changes. We know that adding the proportional share of pension liabilities to school district balance sheets will create a large number that may be larger than other liabilities; therefore, we want to share the

facts with reporters and editors before misinformation gets printed.

To accomplish this, SERS is scheduling editorial board meetings with newspapers across the state. While it has been a challenge getting media interested in discussing changes to accounting standards, they are generally supportive of education and are receptive to talking about issues that affect local school districts. So far, we have met with newspaper editors in Sandusky, Ashtabula, Newark, Toledo, and Tiffin, and talked with reporters from two business journals by phone.

With the help of OASBO, we have been inviting local school treasurers to join us at the editorial board meetings. Their presence and involvement has been incredibly helpful. While we talk about SERS, the economic impact of Ohio's pension systems, and the reasons why GASB is not relevant for Ohio pension systems, the treasurers have been instrumental in explaining how the GASB changes will affect their districts. An added benefit is that the treasurers already have established relationships with reporters and editors, which sets the stage for meaningful discussions.

The effective date of GASB No. 68 is the fiscal year ending June 30, 2015. Until then, SERS' staff is keeping current on GASB updates and we encourage OASBO members to use us as a resource. If you have questions about GASB No. 68, please contact our Employer Services Department by email at EmployerServices@ohsers.org.

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