

Report changes may ding schools

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WILMINGTON — Officials from one of Ohio’s public pension systems along with a local school treasurer came to the Wilmington News Journal office to warn of coming changes to public entities’ balance sheets that they believe don’t present an accurate picture.

The Governmental Accounting Standards Board established new standards requiring local government entities to report their proportional share of public pension liabilities. Members of the School Employees Retirement System of Ohio, however, say that isn’t fair to those entities, since SERS and other pensions are responsible for those liabilities.

“It is not a liability of any local entity,” said Lisa Morris, executive director of SERS. “It is a liability of the pension fund ... We want you to know this is accounting. It’s not funding.”

Morris said that while SERS will comply with the accounting standards and share Clinton County’s school districts’ portion of the liability with them, she doesn’t believe those districts will ever be asked to pay for it.

“We have always disclosed our liability,” Morris said. “We think it’s really important. But it’s our liability, not your liability,” she said, motioning to Kim DeWeese, treasurer of Wilmington City Schools.

As previously reported in the WNJ, GASB made the changes and believes that the standards will improve transparency and decision making.

“More robust disclosures of assumptions will allow for better informed assessments of the reasonableness of pension measurements,” read one section of a document explaining the change. “Explanations of how and why the net pension liability changed from year to year will improve transparency.”

But Morris contends that those changes, which will be reported on the school’s balance sheets for the first time this year, will negatively affect school districts in two ways.

First, voters may be unwilling to support a school a tax levy if they hear about the school’s large pension liability, which she maintains belongs to SERS and other pension funds.

Second, credit rating agencies may downgrade school districts, increasing interest rates and making it harder for those agencies to borrow funds.

In fact, Morris said Moody’s Investor Service downgraded Huber Heights City School District in April from Aa3 to A1.

In a press release at the time, Moody cited several reasons for the downgrade, one of which included “elevated exposure to unfunded liabilities of two cost-sharing retirement systems.”

Last year, the Ohio House and Senate passed a resolution that said the 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.”

SERS manages a \$12.5 billion trust fund, the capital of which comes from deferred contributions from government employees and matches by government entities. Most of SERS’ revenue, 69 percent, comes from returns on investments.

SERS employees pay 10 percent of their salary and government entities match the equivalent of 14 percent of that employees’ salary.

GASB is part of the non-governmental nonprofit Financial Accounting Foundation, which sets accounting standards for use throughout the United States.

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