Testimony on HCR40
Before the House Committee on Health & Aging
By
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November 26, 2013

Chairman Wachtmann, ranking member Antonio, members of the Committee, my name is Karen Carraher, and I am the Executive Director of the Ohio Public Employees Retirement System (OPERS). I appreciate the attention that you are giving this important issue, and I am pleased to have the opportunity to testify in support of House Concurrent Resolution 40.

The purpose of HCR 40 is to acknowledge two new accounting standards recently adopted by the Governmental Accounting Standards Board (GASB) that apply to public pension plans and to public employers who participate in such plans. The standards, GASB 67 and 68, are intended to enhance the decision-usefulness of pension-related information in financial reports, improve transparency and accountability, and standardize valuation practices to enhance comparability for similar types of pension plans.

As many of you know, Ohio's state retirement systems were established to provide retirement, disability, and survivor benefits to Ohio’s public employees and their beneficiaries and each system's board is vested with the authority to conduct the business functions required of their respective systems.

Ohio's state retirement systems are responsible, in partnership with the Ohio General Assembly and with the oversight of the Ohio Retirement Study Council, for developing and maintaining secure and sustainable funding plans for defined benefit pension plans that are consistent with sound actuarial funding principles. Nowhere was this partnership more evident than in last year’s historic pension reform process when the General Assembly, retirement systems, members, retirees and stakeholder representatives came together to ensure that Ohio’s state retirement systems remain strong and sustainable well into the future. Ohio has a national reputation for adequately funding and prudently managing its retirement systems.

The new GASB standards should not be used to cloud the issue of pension funding. Ohio's retirement systems are well-funded and well-managed. The systems are uniquely structured, in that the management of any unfunded pension liabilities lie with the Boards of Trustees of the retirement systems, in collaboration with the Ohio Retirement Study Council. As mandated by the Ohio General Assembly, Ohio's public employers have always made their required statutory contributions, which are and continue to be the limit of any public employer's liability.

Under the GASB standards 67 and 68, Ohio's public employers will be required to recognize on their financial statements a share of the pension liability of Ohio's public retirement systems in which they have employees, even though the retirement systems and the Ohio General Assembly are responsible for managing the net pension liabilities. GASB standards 67 and 68 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. I am testifying today, in support of HCR 40, which is intended to educate the public on the new standards and ensure that the accounting requirements are not misunderstood.

Initially, as the proposed standards were released, we testified against many of the proposed changes in the draft release and recommended alternative language to the GASB Board. There were some changes made due to our suggestions and we appreciated GASB considering them. Now that the standards have been adopted, we have begun to implement them.

OPERS has developed a full-scale communication strategy for the purpose of educating our employers, the General Assembly, our members, and stakeholders about the new GASB standards. We are hopeful that through our communication efforts, along with the passage of this Resolution, that all interested parties will gain a better understanding of the level of disclosure which the GASB standards require from a financial accounting perspective only. Just as important, we hope that that the disclosed liabilities are not interpreted as a negative reflection of the strength of Ohio's public pension funds. Ohio law already requires a 30 year or less amortization period for the funding of accrued pension liabilities. Since the requirement has been in existence, OPERS has been at or below 30 years, and currently stands at 26 years.

Thank you for the opportunity to testify on the Resolution before you. I would be pleased to respond to any questions you may have.