

# EMPLOYER Notice

Ohio Public Employees Retirement System • 277 East Town Street • Columbus, Ohio 43215

## GASB's Preliminary Views on Pension Accounting and Financial Reporting by Employers

### Who should read this notice

Those responsible for preparing annual financial statements

### Situation overview

On June 16, 2010, the Governmental Accounting Standards Board (GASB) issued a Preliminary Views (PV) document on Pension Accounting and Financial Reporting by Employers. The PV document represents one of the most significant changes in accounting for public pension plans.

The key aspects of the PV document that affect OPERS employers include:

- Require OPERS to allocate the unfunded pension liability to all employers and all employers would be required to record their portion of the unfunded liability on their financial statements.
- Require OPERS employers to record pension expense each year (currently they only record a liability to the extent they have not remitted their required contributions).
- The discount rate permitted for use by OPERS would be a blended rate that combines the long-term rate of return (to the extent funded—i.e. 8% currently) and a high-quality municipal bond index rate (to the extent unfunded—i.e. 4%).
- Amortize differences between expected and actual experience, changes in assumptions and plan changes over the representative period of the expected remaining service lives of individual employees.
- Limit the recognition of gains and losses to the actuarial expected rate of return. Gains and losses in excess of the actuarial rate of return would be deferred unless they exceeded 15%, at which that portion in excess of 15% would be recognized in the current year.
- Require actuarial valuations included in the financial statements to be updated to the fiscal year end (OPERS currently includes the prior actuarial valuation in the audit – one year in arrears).

### What employers need to do

Additional information, including the full text of the PV document and a plain-language supplement, may be viewed at the GASB Web site (<http://www.gasb.org>). Employers are encouraged to read the GASB Web site and provide comment directly to the GASB. The deadline for providing feedback to the GASB is September 17<sup>th</sup>. Written comments can be e-mailed or mailed to the GASB.

### Why this is important

The PV document requests comments by September 17, 2010. OPERS intends to provide comments back to the GASB on this PV as does the Public Pension Financial Forum, of which OPERS is a founding member.

### Note:

Additional information regarding the GASB's PV document can be obtained at <http://www.gasb.org>.



1-888-400-0965  
www.opers.org

More Information on Back

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### **Changes to the *Employer Manual***

There are no changes to the *Employer Manual* as a result of the information contained in this *Employer Notice*.

### **Whom to contact for more information**

After reviewing this *Employer Notice*, contact Employer Outreach with questions at 888-400-0965, or by email at [employeroutreach@opers.org](mailto:employeroutreach@opers.org).

*This Employer Notice is written in plain language for use by public employers who are subject to coverage under the Ohio Public Employees Retirement System. It is not intended as a substitute for the federal or state law, namely the Ohio Revised Code, the Ohio Administrative Code, or the Internal Revenue Code, nor will its interpretation prevail should a conflict arise between it and the Ohio Revised Code, Ohio Administrative Code, or Internal Revenue Code. Rules governing the retirement system are subject to change periodically either by statute of the Ohio General Assembly, regulation of the Ohio Public Employees Retirement Board, or regulation of the Internal Revenue Code. If you have questions about this material, please contact our office or seek legal advice from your attorney.*



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