Ohio Public Employees Retirement System

Fast Facts

- With assets of more than $88.6 billion* (as of Dec. 31, 2013), OPERS is the largest public pension fund in Ohio and the 11th largest public pension fund in the United States. OPERS, which recognized its 75th year in 2010, provides retirement, disability and survivor benefits for public employees throughout the state. It serves more than a million members, including more than 190,000 retirees and beneficiaries.

- Over the past 30 years OPERS' average annual investment returns have outpaced our current assumed actuarial rate of return. OPERS uses an interest rate of 8 percent to discount future liabilities. For the past three decades, OPERS' investments have returned an average gain of 8.57 percent. That includes 2008, when we experienced one of the worst recessions in U.S. history.

- OPERS pension benefits are good for Ohio. For every dollar we receive from employers, we return more than $3.00 to the state's economy through our pension and health care payments to retirees.

- OPERS members and retirees are taxpayers, wage earners, and consumers who live, work and retire in Ohio. Nearly 90 percent of those retirees live in Ohio spending the vast majority of that money on goods and services in the state.

- Historically two-thirds of OPERS' revenue, from which benefits are paid, is derived from investment returns. The remaining one-third of the revenue is from employee and employer contributions.

- Public employee pensions are fairly modest. The average annual benefit for an OPERS retiree is $23,720, or $1,977 a month.

- Ohio is a non-Social Security state because OPERS predates Social Security. Public employees do not pay into Social Security and without OPERS many public employees would not receive a retirement benefit.

- OPERS member benefits are in line with those offered by Ohio's large private employers, according to an independent study by compensation expert Aon Hewitt.

- The Pew Center for the States in 2010 gave Ohio its highest rating for managing long-term liabilities for both pensions and retiree health care. Calling Ohio a national leader in managing its long-term liabilities, the Pew report puts Ohio in the "Solid Performer" category with respect to its pension fund — one of only 16 states to achieve that distinction.

1/17/14
*Total assets reflect preliminary and unaudited 2013 figures. All other data is from 2012.
• The new Government Accounting Standards Board (GASB) standards, GASB 67 and 68, are new accounting standards. They are not an indication of funded status.

• Funded status is the measure of the amount of assets accumulated to date to pay future liabilities. OPERS is 81 percent funded. That means for every dollar we expect to pay out in benefits in the future, we have 81 cents in the bank right now. And, we always fund the entire pension benefit at the time our members retire.

• GASB implemented these standards because they believe a pension is a component of the employee compensation package and the employer should report a share of the liability for the unfunded future employee benefits.

OPERS worked with GASB and influenced the final standards to some extent, but the standards are solely the creation and requirement of GASB, not OPERS.

• OPERS-covered employers are now required to reflect a portion of OPERS' unfunded liability on their financial statements. They are not required to fund that liability beyond the statutorily-required contribution rates, currently 14 percent for most employers.

• OPERS is well-funded. By state law, all Ohio pension funds are required to keep its years of amortization, the amount of time it takes to repay unfunded liabilities, at no more than 30 years. OPERS has always met this standard.

(If more detailed is needed, explain that an unfunded liability is like a home mortgage – you are not required to pay off your mortgage all at once.)

• Bond rating agency Moody’s, who often audits public employers, uses its own, unique calculation to re-estimate the pension liability. Moody’s methodology differs from that approved by GASB and serves to inflate the liability.

• OPERS is the largest public pension fund in Ohio, and the 11th largest public pension fund in the U.S. With assets of $88.6 billion, OPERS provides retirement, disability and survivor benefits for one million members, including more than 190,000 retirees and beneficiaries.

• Please contact OPERS if you have further questions or concerns regarding the implementation of GASB 67 & 68. Questions may be e-mailed to gasboutreach@opers.org.
ISSUE:
In June 2012, the Governmental Accounting Standards Board (GASB) issued two new standards, Nos. 67 & 68, fundamentally changing the future accounting and financial reporting requirements for public pensions. The new standards will require each public employer to account for a portion of its public pension plan’s unfunded liabilities on their balance sheet.

BACKGROUND:
Beginning in 2014\(^1\), public employers’ net pension liability (formerly known as the unfunded liability) will be calculated under the new standards and allocated to all participating employers. Employers will have to recognize a new accounting liability reflecting their ‘proportionate share’ of OPERS’ total pension liability\(^2\). This means that OPERS-covered employers will be responsible for reporting a portion of OPERS’ unfunded liability on their financial statements.

These new accounting standards dictate the manner in which the net pension liability is accounted for, not how it is funded. Prior to the adoption of GASB 67 & 68, if an OPERS-participating employer was current in funding their statutorily-required contributions, there was no liability for the employer to report on its financial statement. The funding requirement will not change — OPERS-participating employers will continue to be responsible for funding the statutory contribution requirements – however, employers will now have the added responsibility of reporting (not funding) a portion of OPERS’ net pension liability on their financial statement.

OPERS, in conjunction with the Ohio General Assembly, is and will continue to be responsible for managing the net pension liability.

OPERS will provide employers with the data necessary to determine their share of the net pension liability. For many employers, this liability could appear disproportionately larger than other liabilities and may vary significantly from year to year. In some cases, the addition of the net pension liability and pension-related costs to an employer’s financial statement could make it appear as if the employer has a budget deficit, even though the employer’s funding requirements will not change.

FACTS:
As with any significant public policy change, education is necessary to explain the impact of GASB 67 & 68. OPERS has already begun communicating with and educating its employers and stakeholders regarding the new standards.

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\(^1\) GASB 67 (Financial Reporting for Pension Plans) is effective for OPERS for calendar year 2014. GASB 68 (Accounting and Financial Reporting for Pension – applicable to OPERS-covered employers) is effective for fiscal years beginning after June 15, 2014.

\(^2\) The proportionate share will be based on a public employer’s total pension contributions during the current year – both member and employer – divided by the total amount of contributions received by OPERS during the current year.
1. **Most importantly, GASB 67 & 68 are accounting standards, not funding standards.** In Ohio, public employers are required to remit the statutory contribution rate, in most cases 14 percent. Nothing in the new standards changes that requirement. Although OPERS-covered employers will now be required to account for a share of OPERS’ unfunded liability, they will not be required to fund that liability beyond the statutorily-required contribution rates.

These standards are intended to: enhance the usefulness of pension-related information in financial reports; improve transparency; and, make it easier to compare public pension plans by standardizing financial reporting requirements and valuation practices.

2. **GASB views pensions as a component of employee compensation and believes that employers should report a liability for the unfunded portion of the pensions earned by their employees.** Therefore, GASB has required employers to recognize this liability on their financial statements.

OPERS is a multi-employer cost-sharing pension plan, with more than 3,700 participating public employers. Our plan design is not controlled by employers, but by the Ohio General Assembly.

3. **As a result of OPERS’ and other groups’ input and involvement, GASB made numerous positive changes to its original exposure drafts.** Prior to the adoption of GASB 67 & 68, OPERS testified on the impact of the proposed standards, and voluntarily participated in GASB’s pre-adoption field test. Additionally, more than 200 OPERS-covered employers submitted letters to GASB expressing their concerns with the proposed standards.

4. **OPERS performed a complete test implementation of the new standards to determine potential compliance issues.** Completed in July 2013, the test implementation involved working closely with GASB representatives and a volunteer test group representing a broad cross-section of Ohio public employers including large and small municipalities, libraries, a university, and a hospital. Lessons learned from this test are being used to develop an education initiative for OPERS-covered employers.

5. **OPERS is working closely with its external auditors and the Ohio Auditor of State to develop a coordinated audit approach** and expects audit guidance to be issued by the American Institute of Certified Public Accountants soon.

**QUESTIONS:**
Please contact OPERS if you have further questions or concerns regarding the implementation of GASB 67 & 68. Questions may be e-mailed to gasboutreach@opers.org.

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