

*MIRS, June 4, 2012*

## **Olson: Not Following GASB 'Terrible Mistake'**

Not following Governmental Accounting Standards Board (GASB) guidelines in future dealings with school employees' retirement, as suggested in the Senate, would be a "terrible mistake," the former Senate Fiscal Agency Director said today.

The suggestion came as Senate Republicans push their preference of switching current school employees from a pension plan to a 401(k)-style defined contribution plan, even though the cost is \$1.4 billion over the next six years, according to the Office of Retirement Services (ORS).

The Senate's stance comes as the House and Governor continue their look at different ways to reform the Michigan Public School Employee Retirement System (MPERS) in the form of SB 1040, which all sides want done by the time the Legislature adjourns for the summer in mid June.

Sen. Mark **JANSEN** (R-Gaines Twp.), for one, has been arguing that deviating from GASB guidelines would drive down the estimates while not threatening the future of MPERS.

But Gary **OLSON**, former Senate Fiscal Agency Director and current Senior Policy Fellow at Public Sector Consultants, warned in a white paper addendum that continuing to follow GASB is important for allowing investors in Michigan to compare the financial health of the state to others.

Not following GASB could have a negative impact on the state's credit rating, he said. That could result in higher costs of borrowing to the state and local units of government.

"Any deviation from GASB accounting standards will likely cost the State of Michigan more in the long run than might be gained in short-term cost savings," Olson wrote in his white paper addendum.

"It's a very important factor in the credit rating in the state, and in my opinion if you deviated from GASB and made changes in the accounting it would be a huge mistake," Olson said. "I don't think the state will do it . . . even in the worst of times I believe our accounting standards have been very, very good in this state."

The Coalition for Secure Retirement (CSR) has also called on legislators to stick to GASB "to accurately estimate the cost of switching to defined contribution retirement plans."

"It would be ironic if legislation that reduced benefits for school retirees for the stated purpose of reducing costs to schools actually increased the costs to schools . . . while still providing for less secure retirement," said CSR spokeswoman Ellen **HOEKSTRA**. "CSR hopes that when the House acts on SB 1040, it addresses the causes of higher costs, reduces the impact on current and future retirees, and continues Michigan's prudent tradition of following the national accounting guidelines set forth by GASB."

Olson's original white paper, commissioned by the CSR, concluded there needs to be "a balance between the future funding needs of MPERS and fairness to the existing and retired employees of the system."

Those advocating for MPERS reform say it is important to pay down the state's unfunded liabilities and reduce future costs.

Olson did applaud some of the changes the House made to SB 1040 in committee, calling the House version "much better" than what the Senate passed ([See "House Proposes Prefunding School Retiree Health Care," 5/21/12](#)).

MPERS prefunding and other MPERS financial details are embedded in the state budget, but the bill has yet to make it through both chambers ([See "MPERS Done By June 1?" 5/24/12](#)).