Letter of Comment No.: 7 File Reference: 34-E Date Received: 9/12/11

From: Chris Wynkoop

To: Dave Bean

Subject: Require municipalities to accrue pension liabilities

## Dear GASB member:

I do not understand why or how the GASB can get away without requiring municipalities to accrue their pension liabilities. I realize some disclosure is required in the footnotes, but that is merely a band aid to the problem.

If Cities and their citizens saw the real problem(monstrous liabilities) maybe it would force them to be proactive. Not requiring the cities to accrue the liability is like the FASB allowing mark to market which caused Enron to grow into the cancer it did.

I urge you to do what is right. The public relies on our profession!

Sincerely,

Christopher K. Wynkoop, CPA Irvine, CA chris@wynkoopcpa.com

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Letter of Comment No. 7A File Reference: 34-E Date Received: 9/29/11

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Dear GASB:

Another direct hit received by the US from 911 was the Unions, riding the wave of "heroism", conned the municipalities to accepting totally unreasonable accelerated terms in the defined benefit plans.

Proper accrual of liabilities should always have been made. This would have shown municipalities, years ago, of the ticking time bomb. Glad it is finally being addressed.

My concern is in the amount being accrued. I know it is difficult to foresee the exact future liability of a defined benefit plan (DFB) as you do not know how long each employee will remain and what the final salary (and additional pension spiking items) will be that the DFB is based on. Considering this, it seems absurd to discount the future liability when determining the liability to be booked. Some formula needs to be determined that predicts the municipality's future liability (ie: x% times a future salary at a reasonable retirement date time a reasonable rate of return (like 0%) less employee's contribution, if any.

Presently, in California, there is a targeted rate of return that needs to be met in order to achieve the formula. To the extent it is not met (which is often) the pension fund has its hand out again for additional municipality contribution. Upon the retirement the municipality could book the benefit of any appreciation that has been earned on the investment portfolio.

I am not a municipal accountant, just a concerned taxpayer, so I cannot suggest the best formula to use.

We're 25 years late in making municipalities accrue this liability. Let's not be temporary heroes and pass a pronouncement that drastically under accrues the liability.

Sincerely,

Christopher K. Wynkoop, CPA