Letter of Comment No. 128 File Reference: 34-E Date Received: 10/11/11

October 7, 2011

Director of Research and Technical Activities Project No. 34-E Governmental Accounting and Standards Board 401 Merritt 7, PO Box 5116 Norwalk, CT 06856-5116

Re: Pension Accounting and Financial Reporting

Dear Mr. Bean:

On behalf of Laborers' International Union of North America, Locals 777 & 792 representing local government employees, I am writing to comment on the proposed changes issued by the Governmental Accounting and Standards Board (GASB) to existing pension accounting and financial reporting requirements.

Accurate and transparent actuarial standards are imperative to healthy pension systems, accordingly, we would be most supportive of any necessary changes which would further that end. While we commend the work which has been undertaken by GASB's Board and staff to review the existing accounting standards, and draft changes to those standards, we believe that the proposed changes will not meet GASB's intended goal of "high-quality standards [which] lead to information in financial reports that improves transparency, assists in assessing accountability, and is useful for making important decisions." Instead, we believe the proposed changes will lead to myriad unintended and detrimental consequences for pension funds and state and local government employers, and accordingly should not be adopted.

We are deeply concerned that these new accounting rules will create confusion among public agencies leading to dramatically increased costs. Cal-PERS and CalSTRS contend that they will face millions of dollars in new staffing costs and expenses under the new rules. Local agencies most likely be forced to pay outside actuaries for additional work required by the new rules. A move this costly is counter-intuitive given the fact that our current economic climate is already forcing local government agencies to cut budgets and reduce existing obligations.

Of specific concern is the fact that employers will be required to report their net pension liability on their financial balance sheet. We fundamentally disagree that pension obligation is a liability. This is because under existing law and practice employers have the discretion (which they have exercised consistently) to shift the pension obligation burden to employees via raising contribution rates without raising

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benefits. As employers have this discretion, the pension obligation does not meet the definition of liability. Further, we do not believe this requirement will produce greater transparency or accuracy, but rather will produce misleading results and inaccurate information. Net pension liability simply does not produce a sufficiently reliable and accurate portrait of pension health and viability, and accordingly, the accounting methodology should not be changed to require it. Additionally, the proposed changes will result in public pension plans calculating two sets of numbers—one to satisfy the GASB requirement, and another to inform policymakers of the amount needed to fund the plan. This will not aid in transparency, accuracy or decision making. In contrast however, the current methodology aids in all three.

For the above stated reasons, on behalf of Laborers' Locals 777 & 792, we respectfully request GASB reject the proposed changes to existing pension accounting and financial reporting requirements. Please do not hesitate to contact me at with any questions or concerns.

Sincerely,

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