Letter of Comment No. 186
File Rerefence: 34-E
Date Received: 10/12/11

SAN MATEO COUNTY OFFICE OF EDUCATION

Anne E. Campbell, County Superintendent of Schools

October 11, 2011

Governmental Accounting System Board
401 Merritt 7
PO Box 5116
Norwalk, Ct 06856-5116

Re: Response to GASB Exposure Draft for Amendments to Statements No. 25 and 27

To Whom It May Concern:

The San Mateo County Office of Education (SMCOE) opposes the proposed transfer of the California State Teachers' Retirement System (CalSTRS) pension and the California Public Employee' Retirement System (CalPERS) pension unfunded obligation from the State of California's financial statements to the Local Education Agencies (LEA) Financial Statement.

The exposure draft's net pension liabilities provisions include the requirement that LEA employers recognize on their balance sheets each employer's proportional share of the two pension plan's total pension liability. It is estimated the debt transfer could be as much as $8,000 per student. This is more than the annual per pupil revenue for many school districts.

LEAs in California do not grant or negotiate pension benefits to employees the way local governments do. LEAs are required by law to participate in the CalSTRS and CalPERS retirement pensions. The State of California, through legislation and actions taken by the governing bodies of CalPERS and CalSTRS, sets pension benefits. The liability to fund the systems for school district and county office of education employees rests totally on the State of California, unlike cities and counties that negotiate pension benefits and are responsible for funding what they promise their employees.

California school districts already are subject to $9.3 million in annual state funding deferrals from one year to the next. In addition to the inter-year deferrals, the schools have up to $4.5 billion in intra-year state aid deferrals. Forcing LEAs to show such large liabilities will impact their ability to access short and long term borrowing and will give the impression that local schools are in financial distress.

The State of California is the plan sponsor for CalSTRS and CalPERS and is responsible for the fiscal health of the two retirement systems as it relates to LEAs. SMCOE believes that the plan sponsor which makes the contribution and benefit determinations should be responsible for the financial outcomes and results of those decisions. We believe the proper accounting standard is

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that the responsible plan sponsor should reflect the outcome of their decisions on their balance sheets, rather than transfer the results of their decisions.

For these reasons, we request that California LEAs not be required to include recognition of any of the CalSTRS or CalPERS unfunded actuarial liability on school district or county office of education balance sheets.

Sincerely,

Denise Porterfield
Deputy Superintendent, Fiscal and Operational Services