Letter of Comment No. 290 File Reference: 34-E Date Received: 10/18/11

Director of Research and Technical Activities:

The Financial Services Department of the City of Redondo Beach has read the *Pension Accounting and Financial Reporting Plain-Language Supplement* and would like to comment on the revisions proposed in Project Number: 34-E-PLS. Although pension accounting and financial reporting as proposed by the GASB would enhance transparency in some respects, there are several detrimental impacts all agencies could experience if the revisions proposed in Project Number: 34-E-PLS are adopted.

First, the City of Redondo Beach is extremely concerned that the GASB, whose role is to establish and improve standards of state and local governmental accounting and financial reporting that will result in useful information for users of financial reports and guide and educate the public, will not accomplish this role by implementing these revisions. The ordinary citizen, let alone the average accountant, does not have the requisite education and/or experience to understand pension accounting, the actuarial valuation itself, and the myriad of dynamic assumptions used to complete the valuation. Without the formal education required to gain an understanding of pension accounting and actuarial valuations, how do the proposed revisions educate and provide useful information to the public?

Secondly, recording additional liabilities drastically increases the potential of throwing multiple agencies into debt covenant defaults, especially during uncertain economic times that look as if the national and global economies may be slipping into a double-dip recession. Furthermore, recording additional liabilities could reduce an agency's credit quality and, therefore, increase its cost of debt. Has the GASB considered these likely scenarios in its eagerness to create another non-essential GASB Statement?

Also, incurring additional costs to comply with what is essentially an unfunded mandate in an unhealthy economy will only worsen the financial condition of agencies. Most agencies are focusing on providing the core services to their constituents, i.e., public safety and public works projects, and most are having a difficult time maintaining these service levels that the public desires, values, and expects. Has the GASB considered that agencies may have to reduce core services to comply with proposed revisions that the public may not understand or find useful?

Furthermore, the issuance of the Comprehensive Annual Financial Report (CAFR) will most likely be delayed as a result of the additional disclosure requirements and reliance on third-parties to supply the required reports. We have already experienced disclosure delays with our pension provider's inability to provide the City of Redondo Beach with its actuarial reports in a timely manner due to State mandated furloughs. Financial reports that are not issued in a timely manner provide less useful information to the public as the data ages.

Lastly, we have reporting requirements mandated by the State of California. Furthermore, the California Public Employees Retirement System (CalPERS) controls the pension program, not the City of Redondo Beach, in requiring our adherence to their funding/payment standards. We believe that if GASB is inclined to enhance pension accounting and financial reporting standards, then maybe the GASB should develop a standard requiring enhanced reporting standards for pension agencies similar to CalPERS to clarify the respective roles in the pension plan.

We hope the GASB seriously considers the points made in this letter and the questions posed to the Board prior to taking any additional steps toward implementation of a revised pension accounting and financial reporting standard.

Respectfully,

Diana Moreno Financial Services Director City of Redondo Beach