Letter of Comment No. 45
File Reference: 34-P
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actuarial valuation, it is often not done explicitly. There are many circumstances when an explicit cash flow projection will not be needed in order to determine the discount rate. A simple example is when the market value of assets exceeds the present value of future benefits.

Recommendations Summary

As outlined above, CalPERS recommends a significant restructuring of the exposure draft to retain consistency between the funding and accounting of defined benefit pensions in the public sector.

If that is not possible, CalPERS recommends:

1. Delaying the implementation by one or two years
2. Taking steps to make the reporting requirements easier
3. Examining the issue of a potential conflict with state constitutional law and either delaying implementation until this has been resolved or providing an exception that public agencies can use if caught in a conflict between the new accounting standard and their duties under state law
4. Allowing an exception to the reporting requirements for cost-sharing multiple employer plans where a more accurate attribution of liabilities is possible
5. Addressing issues with respect to the roll forward of assets and liabilities where the plan year end and the employer year end are different
6. Applying a single amortization period to all gains and losses.

CalPERS appreciates this opportunity to comment on the exposure drafts and throughout this process. We would be pleased to work with you and your staff on any of the issues we have identified or in other areas where our input would be helpful.

Should you have any questions, please feel free to contact me at (916) 795-7756 or our Chief Actuary, Alan Milligan at (916) 795-2113.

Sincerely,

RUSSELL G. FONG
Acting Chief Financial Officer

cc: Executive Staff