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

Dear Director of Research and Technical Activities :

As a retired educator and school administrator who served in four districts over my forty year career, I am writing in opposition to the proposed transfer of the California State Teachers' Retirement System (CalSTRS) unfunded pension obligation from the State of California's financial statements to that of the Local Education Agencies (LEAs).

The draft proposal includes provisions that school districts recognize on their balance sheets each employer's proportional share of the CalSTRS total pension liability. It's estimated that the debt transfer would be approximately \$8,000 per student. This is a debt that would be on school districts' balance sheets and a debt that is not within their ability to control.

California school districts are already subject to \$9.3 billion 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. Schools need borrowing ability to maintain programs until the deferrals are paid. The proposal will increase borrowing costs at a time when schools cannot afford new costs. The transfer from the state's balance sheets to LEA balance sheets will increase the school district's assumed debt. The probable effect of that debt increase will be to increase the cost of borrowing.

Moreover, both retired educators and those still working were promised that the state would ensure the retirement benefits they earned under STRS. Many of us recent retirees started for very low annual salaries. So our early contributions to STRS were also low in those years. But we were told that the state would ensure that we would receive decent defined benefit pensions. The state should not change this system now, especially since districts are having such a difficult time hiring and retaining highly qualified educators during the current recession.

For these reasons, I respectfully request that California school districts not be required to include recognition of any California State Teachers' Retirement System unfunded actuarial liability on their balance sheets.

Sincerely,

Luis Hernandez