

LOCAL 3299

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To Whom it May Concern:

AFSCME Local 3299 represents 17,000 service and patient care workers at the University of California. Our union represents workers from every UC facility in the state, including the ten campuses, and five medical centers. As low-wage and middle-income workers at the University of California many of us face a daily struggle to maintain an adequate and decent standard of living in the face of rising costs. The pensions we will receive upon retirement represent a modest but primary and much-needed source of economic and retirement security for ourselves and our families. It is these hard-won pensions that will allow us to live out our lives in dignity.

On behalf of our members we wish to provide the GASB with our comments regarding GASB's exposure drafts related to pension accounting and financial reporting in the public sector.

We commend GASB for the success of the existing standards and we stand firmly with the many other stakeholders who believe much of the proposed changes largely fail to promote the GASB's primary goals of accountability and decision-usefulness. In fact the proposed changes will undermine these goals.

We do not support replacing the Annual Required Contribution (ARC), with Net Pension Liability (NPL). Replacing the ARC with the NPL will effectively sever pension funding from pension accounting. The ARC presents a clear, widely understood standard and a useful metric for a long-term funding plan.

GASB's call to include a measure of NPL in the balance sheet will introduce a chaotic, unnecessary and illusive volatility in financial statements. The NPL as proposed will drastically whipsaw with changes in the financial markets and lack proportionality as it overshadows and overwhelms other disclosures that may in actual fact be far more material to the public institution in question. As a result, insertion of NPL into the balance sheet will promote drastic and unnecessarily austere policy outcomes that will undermine retirement security for millions of Americans and the economy as a whole.

We are in strong agreement with the position of the National Association of State Retirement Administrators (NASRA) and the National Council on Teacher Retirement (NCTR) who have stated the proposed draft: "is equivalent to an individual needing to

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report on a finance statement, not his or her monthly mortgage payment, but the entire outstanding home mortgage, including interest, so that the debt-to-asset ratio is drastically changed.”

The GASB drafts as written will fuel further unnecessary attacks on retirement security promoting an aggressive and blind austerity which will undermine our economy for years to come and shift risk for retirement from institutions equipped to adequately manage risk to individuals. In the current economic climate the proposed radical overhaul of pension accounting rules threatens to create further instability in retirement systems and puts the retirement security of millions of Americans at risk. It is wholly inappropriate for GASB to promote a radically short-term view of public sector pension expenses, since it is widely recognized that public plan sponsors are on-going entities with extremely long-range investment outlooks.

While Chairman Attmore maintains that GASB merely sets voluntary standards and that “pension funding is a policy decision made by government officials” we believe this is disingenuous and an attempt to evade responsibility for the important role GASB has in our economy. GASB is being willfully blind if it does not believe that the media and the enemies of public pensions will not use this opportunity to present the rule changes as a decline in funded status for public pensions.

This is a critical time for our economy and the unnecessary and radical approach the new GASB rules have taken in their current form threaten our individual and collective national economic security. The necessity of GASB’s draft changes should be weighed against the likely consequences for millions of Americans and the GASB must be mindful that on a macro-economic level pension income in retirement is a vital source of economic demand in the economy, something that is in dangerously short supply.

With these proposed rules GASB is taking our retirement security and national economic interests down a bleak and completely unnecessary path. If implemented in their current form the proposed rules will undermine our nation’s retirement security and facilitate the race to austerity and to the economic bottom which threatens to submerge our economy for years to come. We urge GASB to steer away from this path.

Sincerely,

Ann Swinburn
Research Director
AFSCME 3299