

**National Association of Counties
United States Conference of Mayors
National League of Cities
International City/County Management Association
American Federation of State, County and Municipal Employees
American Federation of Teachers
Fraternal Order of Police
International Association of Fire Fighters
National Education Association
Service Employees International Union
National Association of Police Organizations
National Association of State Retirement Administrators
National Council on Teacher Retirement
National Conference on Public Employee Retirement Systems
International Public Management Association for Human Resources
College and University Professional Association for Human Resources
National Public Employer Labor Relations Association**

September 23, 2010

Director of Research and Technical Activities
Governmental Accounting Standards Board
Project No. 34
Via email: director@gasb.org

On behalf of the above-named organizations, we are responding to the Governmental Accounting Standards Board's Preliminary Views (PV) on possible revisions to GASB Statements 25 and 27, providing standards for accounting and reporting on the pension benefits that governments provide to their employees. Together, we represent a wide range of users of public retirement system financial reports, including state and local policymakers, elected and appointed public officials, public employers, public employee unions and retirees, and trustees or other governing or sponsoring bodies of governmental pension plans. While many of our organizations will be submitting comments separately, we wished to collectively relay our continued support for transparent and useful financial reporting standards that account for the specific nature and needs of governmental jurisdictions and their stakeholders.

Overall, we continue to believe that using government-sponsored retirement systems' estimated long-term investment returns, based on their asset allocations, as the rate for discounting projected pension benefits to their present value for accounting purposes is consistent with both the perpetual nature of governments and the enduring, long-term nature of public pensions. While some of us are troubled with certain aspects of the blended discount rate as proposed in the PV, we nevertheless commend GASB's conclusion that the basic discount rate for the unfunded pension obligation should remain the long-term expected rate of return on plan investments. We strongly encourage GASB to maintain this position.

We continue to believe that any changes in the nature or amount of information currently disclosed under existing GASB accounting and financial reporting standards should enhance the overall value of such disclosures to the end users of such information. As we have stated previously in connection with GASB's 2009 Invitation to Comment on possible changes in these standards, we firmly believe that the

reporting of the liabilities of public pension plans at so-called “market value” would not only fail to offer such an improvement, but could actually serve to provide a distorted view of plan funding that would confuse rather than inform the public and would provide misleading information to decision-makers. Further, it would fail to assist decision-makers in determining whether or not interperiod equity is being achieved. On the contrary, by charging current taxpayers on the basis of present interest rates, rather than a long-term expected rate, it is more likely to produce significant disparities in what generations of taxpayers are charged for pension benefits. GASB considered and rejected market-based techniques in 1994 when it established standards for calculating and reporting public pension liabilities, finding trend-based actuarial measures, consistent with public plans' long-term nature, are a better gauge of a plan's financial condition. We are hopeful the same conclusion will again be reached.

After all, the purpose for measuring public pension liabilities is not to price them, but to fund them. To that end, many of our organizations are concerned about the PV's move away from the current funding orientation for government pension accounting. Such a move would require employers to put the total unfunded pension liability on their balance sheets, rather than the existing practice of reporting the payment of the annual required contribution. We believe this would undermine a critically important accountability tool. In addition, it would not provide better information regarding the ability of the governmental plan sponsors to finance promised benefits or assist decision-makers in the setting of benefit and contribution levels. Finally, it would not promote funding of pension obligations or reasonably stable plan costs across generations of taxpayers.

Furthermore, such a move would significantly increase volatility of employer balance sheets, public pension funding levels and benefit costs; proving problematic to the public budgeting process generally, but particularly counterproductive to recovery efforts following economic downturns such as the 2008 financial disaster and resulting recession. Compounding this move away from a funding orientation are proposed changes that limit the ability of governmental plan sponsors to smooth gains and losses and incorporate other actuarial experiences. We strongly hope you will reconsider the merits and detractions of such potential changes.

Thank you for the opportunity to offer our views as you move forward with this important project.