

MOTION BY SUPERVISOR MICHAEL D. ANTONOVICH

NOVEMBER 9, 2010

In its Preliminary Views, published in June 2010, the Governmental Accounting Standards Board (GASB) has taken the position that the portion of the pension obligation that is not covered by assets-the unfunded obligation-is a liability of a government. Furthermore, the GASB believes that this liability meets the criteria for being reported in the government's accrual-based financial statements.

One reason GASB is proposing heightened disclosure requirements is to provide the taxpayer and institutional investors with more useful and accurate financial data as presented on government financial statements. There is a growing movement toward greater information transparency, reliability, and disclosure. Institutional investors commonly analyze the credit worthiness and investment risk of securities in which they invest (municipal bonds, commercial paper, etc.) based on financial statements they are provided. Those providing financial statements are responsible for getting things right.

The Securities and Exchange Commission (SEC) recently weighed in on this increased focus on transparency, reliability, and disclosure. On Friday, October 29, the SEC, for the first time, imposed penalties directly on public employees in San Diego for municipal bond fraud. The charges being that certain city public employees knowingly misled the investing public concerning the extent of underfunding the San Diego City pension fund.

In light of recent actions being taken by the SEC, statements by GASB, and the increasing financial scrutiny and pressure that will be placed on municipalities including Los Angeles County, it seems prudent to double check the standards and practices that Los Angeles County is adopting to arrive at the figures it is placing in its financial statements; also, other derivative materials the county provides to securities underwriters, the investment community, and to the taxpayer. This is true especially with respect to unfunded and underfunded healthcare and pension liabilities.

- M O R E -

MOTION

RIDLEY-THOMAS _____

YAROSLAVSKY _____

KNABE _____

ANTONOVICH _____

MOLINA _____

In order to protect our Board, our County employees and the experts we employ, we need to be sure that there are no material errors, omissions, or misstatements in the figures we are providing on our financial statements. Moreover, we need to be sure that “best practices” are being followed concerning how we arrive at our numbers, especially concerning our unfunded and underfunded liabilities.

I, THEREFORE, MOVE that the Board of Supervisors direct the Los Angeles County Auditor-Controller to hire an independent firm which specializes in actuarial studies to report back to the Board in 30 days, providing an analysis and opinion with respect to the accounting and actuarial methodologies being used by LACERA (pension fund) and the Los Angeles County Chief Executive Office (Retiree Health Insurance Benefit Program) to calculate the present value of the underfunded LACERA pension fund and Los Angeles County Retiree Insurance Benefit Program

I, FURTHER, MOVE that the Auditor-Controller's analysis include analysis of the advice and recommendations that each funds' actuaries and accounting firms have offered to respective staffs and confirmation that such sound advice is being followed by all responsible parties.

#