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[SEC Official Says Public Pension Disclosures Remain Under Scrutiny.]

(Reuters) – The U.S. Securities and Exchange Commission's scrutiny of public pension liabilities will not let up any time soon, a top SEC official said on Thursday.

Pension disclosure will be "a continuing and very significant theme of the SEC," John Cross, head of the SEC's Office of Municipal Securities, told attendees at the National Association of Bond Lawyers' (NABL) annual workshop.

"I can't overemphasize the significance and at least the need to focus on pension liabilities because of the sheer magnitude of the numbers," Cross said, adding that those liabilities go the heart of state and local government fiscal health.

The SEC has cracked down on pension and disclosure problems, hitting Illinois in March with charges for not adequately informing investors about the liabilities. The SEC had brought similar charges against New Jersey in 2010. Both states settled the charges without admitting or denying them.

The SEC has also caught Harrisburg, Pennsylvania, and Miami in its regulatory net for allegedly making misleading statements and omissions in bond documents.

Dean Pope, a bond attorney at Hunton & Williams LLP, who spoke on a panel with Cross, said the cases were laying the groundwork to give issuers in the U.S. municipal bond market notice that whether they are big or small, they need to have good disclosure procedures in place.

The Pew Center on the States has reported that bigger cities faced a collective pension liability of $217 billion in fiscal 2009, while states had a shortfall of $757 billion for retiree pensions in fiscal 2010.

Detroit has recently taken the spotlight for pension shortfalls, with the size of its pension gap under dispute since the city filed in July for what ranks as the largest municipal bankruptcy in U.S. history.

For the municipal bond market, Detroit's bankruptcy filing is also raising questions about general obligation bond disclosures. The city's state-appointed emergency manager determined that some voter-approved unlimited-tax general obligation bonds sold by Detroit are unsecured debt.

Cross said investors historically thought general obligation bonds meant unlimited taxing power, which is not always the case.

"Largely, I think it's a point of clarity," he said.

Pope said the muni market may have to wait "until the dust" settles on high-profile bankruptcy cases like Detroit's to determine if there are some lessons to be learned.

NABL will soon launch an examination of the full faith and credit pledges behind various GO bonds.

Cross also said that the definition of municipal advisers the SEC approved last week was aimed at protecting issuers and investors in the wake of the financial markets meltdown during the financial crisis that left some muni issuers stuck with complex derivatives like interest rate swaps.

Rebecca Olsen, an attorney with the SEC’s municipal securities office, said general information about the muni market would not be considered advice, including communication between underwriters and potential clients.

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