COMMENT #3 - MAY 05, 2008

UFT

United Federation of Teachers

A Union of Professionals

April 28, 2008

ASOP No 27 Request for Comments
Actuarial Standards Board
1100 17th Street, NW, Seventh Floor
Washington, DC 20036-4634

Gentlemen:

On February 6, 2008, I participated in a roundtable discussion concerning the appropriate role of financial disclosure of public employee retirement systems and what these disclosures should achieve. On April 4, 2008, you contacted me to request my input on a Request for Comments on a possible revision of Actuarial Standard of Practice (ASOP) Number 27, which deals with the Selection of Economic Assumptions for Measuring Pension Obligations.

As a pension activist but non-actuary I hope you will take my comments seriously. They are as follows:

(1) I am a trustee of the New York City Teachers' Retirement System (TRS), a public employee retirement system. The provisions of the Pension Protection Act of 2006 (PPA) do not apply to the TRS. I have been assured by a number of actuaries that the guidelines in ASOP 27 continue to be appropriate for the purpose of determining employer contributions to the TRS. Therefore, I would recommend that ASOP 27 not be changed, or that, if changes are made, that it be stated explicitly that the changes are not relevant to public employee retirement systems.

(2) It is conceivable to me that it may seem appropriate to some for the ASB to provide guidelines to measure pension obligations on account of past service for the purpose of disclosure. Should the ASB choose to proceed in this direction I would recommend that a new standard be promulgated for this purpose. Again, I recommend that no changes be made to ASOP 27.

(3) I recognize that the point that I am about to make has no direct bearing on ASOP 27. However, since you have solicited my opinion in one area, I will take the liberty of sharing with you my views in another area. One of the justifications that one frequently encounters for the provisions of the PPA is the need to avoid "Studebaker funding." It is my strong belief that what happened decades ago to Studebaker is

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absolutely irrelevant to the public sector. In that case, consumers no longer wanted to buy Studebaker cars and the company went out of business. In the case of a large city, such as New York, there will always be a need to educate children, to pick up garbage, to put out fires and deal with criminals. Therefore, such a city cannot simply go out of business. Therefore, its pension plans do not need to be funded in the same manner as those of a private sector employer. That said, most large public employee plans are at least as well funded as their private sector counterparts.

Very truly yours,

Mel

Mel Aaronson
Chairman
UFT Pension Committee