Comment #21 – 11/11/14 – 4:39 p.m.

The academy has requested comments as to possible additional requirements regarding the valuation and reporting on public pension plans. A number of these plans have made the recent news as to their financial condition. So the questions to be commented on include 1) whether different valuation standards are needed, 2) whether standards should be less principle based and more rule based, 3) whether additional guidance is needed, and 4) whether additional consideration and work is needed in regards to the definition of "intended user" as defined in the ASOPs.

In general, public plans are characterized by early age non actuarially equivalent benefits and postponed funding. Requiring separate valuation standards, more rule based methods, additions for undefined additional users can not change the politics of the benefit definition and the timing of the necessary funding of public plans. There is no additional additions or changes to the ASOPs that will effect these politics.

Some additional information that is readily available would be whether the assumed discount rate is gross or net of expenses, tying the actual investment returns to other economic indexes such as the GDP, 10 year treasury rate, CPI, etc. for the particular time period, defining what portion of the ARC is due to non actuarially equivalent benefits, what portion is being paid by non current plan member future generations (generation equity), and what portion of the future plan costs are assumed to be funded by investment earnings.

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