



Teachers' Retirement System of the State of Illinois

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Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

To the Members of the Actuarial Standards Board:

I am writing to express my concern over Actuarial Standards of Practice (ASOPs) related to public pension plan funding and accounting. Specifically, I am responding to the Board's July solicitation of comments on ASOPs and Public Pension Plan Funding and Accounting, and I wish to address two of the specific questions posed in that document.

Question 4. We do not believe that ASOPs need to be more prescriptive. Retirement systems and their actuaries understand their long histories and legislative environments. The current ASOPs are broad enough to provide guidance based on sound principles. Limiting the professional judgment of the actuary keeps the actuary from providing analyses tailored to clients' specific situations. Government Accounting Standards Board Statement Nos. 67 & 68 are a prime example of overly prescriptive requirements since actuarial calculations used for financial disclosure are now disconnected from those used for proper funding.

In Illinois, we have pension funds created under seventeen articles of the pension code. As shown in the attached, only the Illinois Municipal Retirement Fund (IMRF) is in stable financial condition. That stability is due to statutory funding requirements following methods that a public sector actuary would recommend and that are enforceable under Illinois statute. The other Illinois systems look to organizations such as yours to help us educate policymakers on the importance of consistently following sound funding practices.

Question 6. The ASOPs should not require the actuary to perform additional work that may be of interest to outside entities. In addition to our stakeholders, we have many other interested parties with competing agendas and varying degrees of expertise who request actuarial work. In my view, it would be unwise to start down a path of unfettered demand for analysis, particularly if such demands are not tied to any responsibility for the resulting actuarial fees. If these fees were to be borne by our members, it would be a potential breach of our fiduciary duty to only expend plan assets for their sole benefit.

Thank you for the opportunity to comment.

Sincerely,

Richard W. Ingram
Executive Director

Attachment: Funded status of Illinois retirement systems

Illinois Public Employees' Retirement Systems Funded Status as of FY 2012
From the Illinois Department of Insurance 2013 Biennial Report

	Total Liabilities	Actuarial Net Assets	Unfunded Liabilities	Percent Funded
STATE FINANCED				
GENERAL ASSEMBLY	\$303,469,263	\$56,090,081	\$247,379,182	18.5%
STATE EMPLOYEES	\$33,091,186,194	\$11,477,264,329	\$21,613,921,865	34.7%
STATE UNIVERSITIES	\$33,170,200,000	\$13,949,900,000	\$19,220,300,000	42.1%
TEACHERS RETIREMENT	\$90,024,945,000	\$37,945,397,000	\$52,079,548,000	42.1%
JUDGES RETIREMENT	\$2,021,715,796	\$601,219,999	\$1,420,495,797	29.7%
TOTAL	\$158,611,516,253	\$64,029,871,409	\$94,581,644,844	40.4%
CHICAGO				
CHICAGO POLICE	\$10,220,638,509	\$3,148,929,770	\$7,071,708,739	30.8%
CHICAGO FIRE	\$4,066,343,811	\$993,283,741	\$3,073,060,070	24.4%
MUNICIPAL EMPLOYEES	\$13,637,460,046	\$5,073,320,275	\$8,564,139,771	37.2%
LABORERS	\$2,374,842,631	\$1,315,913,597	\$1,058,929,034	55.4%
PARK EMPLOYEES	\$971,807,222	\$421,448,001	\$550,359,221	43.4%
CHICAGO TEACHERS	\$17,375,660,369	\$9,364,076,672	\$8,011,583,697	53.9%
TOTAL	\$48,646,752,588	\$20,316,972,056	\$28,329,780,532	41.8%
COOK COUNTY				
COUNTY EMPLOYEES	\$14,630,250,955	\$7,833,882,926	\$6,796,368,029	53.5%
FOREST PRESERVE	\$304,451,002	\$172,566,956	\$131,884,046	56.7%
METROPOLITAN WATER	\$2,136,508,223	\$1,076,740,164	\$1,059,768,059	50.4%
TOTAL	\$17,071,210,180	\$9,083,190,046	\$7,988,020,134	53.2%
OTHER GOVERNMENTAL				
* DOWNSTATE POLICE	\$10,961,931,833	\$6,170,413,532	\$4,791,518,301	56.3%
* DOWNSTATE FIRE	\$8,076,804,552	\$4,484,442,476	\$3,592,362,076	55.5%
IMRF	\$39,690,216,880	\$34,578,782,566	\$5,111,434,314	87.1%
TOTAL	\$58,728,953,265	\$45,233,638,574	\$13,495,314,691	77.0%
GRAND TOTAL	\$283,058,432,286	\$138,663,672,085	\$144,394,760,201	49.0%