June 12, 2015

ASOPs – Public Pension Plan Funding Request for Comments
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036-4601

Re: Request for Input – Actuarial Standards Board Hearing on Public Pension Issues

We appreciate the opportunity to provide you with feedback regarding actuarial standards of practice and public pension issues. Following is our input in response to your request.

In general, we believe that current Actuarial Standards of Practice (ASOPs) pertaining to pensions are working well in providing guidance for actuaries to assist their clients in establishing pension funding policies. ASOPs permit a range of practices so as to accommodate a wide variety of circumstances that are or may become present among state and local government pension plans.

We also believe that ASOPs should not be developed or modified to specifically address public pension and other public sector issues. ASOPs traditionally have provided broad guidance to the entire actuarial profession, and we recommend that they continue to do so. Actuarial practices and principles should transcend specific segments of clients and function as an umbrella that encompasses the entire actuarial profession.

We would request that any additional disclosures the ASB might require should provide clarity regarding the *funded* status and funding requirements of a plan in accordance with the funding policy, and not apply measures that confuse the users of actuarial information. Disclosure of a plan's funded status and funding requirements, together with the amount of the actuarially determined contribution (ADC), provides policymakers with the most consequential information regarding the plan. Other disclosures may lead to stakeholder confusion and selective use.

Furthermore, we believe that ASOPs should not be developed or modified for individuals or groups who are not directly affiliated with the actuarial client and who are not paying for the actuarial services. Pension assets may be used for the exclusive benefit of plan participants and fiduciaries. Granting individuals and groups not affiliated with actuarial clients the standing to demand actuarial calculations and services raises the question of who would pay for such actuarial services? The exclusive benefit rule of the Internal Revenue Code requires that a qualified plan be maintained for the exclusive benefit of employees or their beneficiaries, and that at no time prior to the satisfaction of plan liabilities should any part of the principal or income of the trust to be diverted for any other purpose.

The high profile cases of public plans facing significant financial hardships (1) are not representative of the common condition and (2) did not arrive at their current condition due to shortcomings in ASOPs. Those problems can almost totally be ascribed to plan sponsor contributions at something significantly less than the ADC over protracted periods. However, if it is determined by the ASB that there would be merit to fine tuning existing ASOPs, any changes should be phased in so as to not produce financial shocks for plan sponsors that have acted responsibly.

Thank you for your consideration of our views.

Sincerely,
Dana K. Bilyeu, Executive Director, National Association of State Retirement Administrators
Hank H. Kim, Executive Director and Counsel, National Conference on Public Employee Retirement Systems
Meredith Williams, Executive Director, National Council on Teacher Retirement