Comment #1 – 5/1/18 – 8:38 a.m.

I assume the result of both the old and revised ASB 27 is the continued use of 4-5 % on private plans and 7.5% on public plans. Private plans is from the IRS and makes sense. The 7.5% is totally irresponsible. It leads to wrong fiscal decisions for public plans. There were two articles in the economist, one each in the Wall Street journal and New York Times very critical of actuaries for allowing this level of interest rates. Those articles are right. Actuaries deserve the criticism. Your revision has done nothing to correct this problem.

The rating agencies have also commented about the improper use of 7.5%. It is scary when I agree with rating agencies over actuaries.

Much of Europe and Canada uses closer to government bond yields than the 7.5%..

Are they all wrong?

Three years ago a proposed fix to this problem was drafted and rejected by ASB on a lame excuse. Rather than fix the lame excuse, they buried the issue. It seems ASB is favoring actuarial employment and public employees over the truth.

It is hard to imagine anywhere close to 7.5% with any mix of assets over the next decade or two.(current E/P on stocks, Shiller ten year P/E, 20-30 year bond yields, current real interest rate, interest assumption used for pricing by insurance companies for long term contracts etc.) The yields over the next two decades would have a much heavier weighting than later decades in its impact on assumptions.

I am assuming the 7.5% is not normally set by government entities. As a retiree, I do not keep up as well and may be missing something here. If so, I would appreciate your correcting any errors in my comments. If not, please fix it.

Thanks

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