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A member-directed union representing 28,000 public school teachers, faculty and education support professionals across Nebraska.

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ASOP No. 4 Revision
Actuarial Standards Board
1850 M Street NW, Suite 300
Washington, DC 20036

RE: Comments on the 2018 Proposed Revision of Actuarial Standard of Practice (ASOP) No. 4

The Nebraska State Education Association (NSEA) is deeply concerned that the Investment Risk Defeasement Measure (IRDM) proposal is technically inappropriate for public-sector funds and would lend credibility to the misrepresentations of our plans' liabilities. Given current attempts nationwide to end defined benefit public pensions, this is an important issue for our members.

The NSEA believes IRDM figures will be used to mislead people by presenting the numbers as the "true cost," including by individuals who served on the Society of Actuaries Blue Ribbon Panel on Public Pension Plan Funding, which has been cited as a reason to require the IRDM. As an example, the current funded ratio for our Nebraska School Employees Retirement plan is 86.7%, but under proposed IRDM calculations, this funded ratio drops to 57.2%.

Further, the IRDM is irrelevant to public-sector plans because it is illegal to "freeze and defease." Public retirement plans, such as the Nebraska School Employees Retirement System and the Omaha School Employees Retirement System, cannot be terminated based on salary at the termination date (as opposed to the salary at the retirement date), thus any liability measure which does not consider future expected pay increases would be underestimating the funding targets / liabilities of the plan.

The shortcomings of the IRDM as a practical measure of the cost to defease investment risk invite the question of why it has been proposed as a universal disclosure requirement, and whether the process that led to that proposed requirement is appropriate and consistent with the ASB's established methods and procedures for standard setting. ASOPs have never been narrowly prescriptive, so the ASB proposal would depart from the organization's practices.

For the above reasons, we recommend that the ASB rescind the IRDM disclosure requirement and allow practice to develop under the "purpose of measurement" guidance of ASOP Nos. 4 and 27 and the risk assessment guidance of ASOP No. 51.

Thank you for considering our responses.

Sincerely,

Jenni Benson
NSEA President

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