

Comment #16 – 10/23/14 – 10:10 a.m.

I think it's appropriate to have a standard for public pensions. I'm not going to comment on particular sections, but I do have suggestions of what should be included.

I suggest a range of results should be provided in the actuarial report. The values with a range can include rate of return (or discount/interest rate), unfunded liability, normal cost, amortized values, and other appropriate reported values that vary with rate of return. The range of each of these results should be derived only by varying the rate of return with the range being around the actual return on the pension fund's invested assets plus or minus some reasonable values. Those reasonable values could be specific amounts (e.g. plus or minus 2%) or they could be a statistically justified amount (e.g. plus or minus one or two standard deviations from the actual return). The ASOP should specify the range (e.g. actual-invested--pension-assets return plus or minus two standard deviations) and not leave the choice to the actuary. Of course state law should be followed; but even if the law or the principal (state or local municipality) requires/requests a higher interest rate be used, the hired actuary should be required by our ASOP to also report the range of results at the ASOPs required interest rate and range of results; in addition to whatever the state/principal requires. Furthermore, the actuarial report could say the media should state whether they are giving state-required-results or that required-by-actuarial-standards when they report value in their medium.

When the major media reports results and the actuary becomes aware of it, I think the actuary should provide a press release if the actuary believes the media-reported-results were wrong, misrepresented, or deceptive. Otherwise, silence from the assigned actuary will be assumed by the public to be acceptance of the media's reporting.

All other assumptions should be clearly stated; and if the actuary believes any other required assumption deviates from reasonable expectation, they should so state that in their report and provide the result under reasonably expected assumptions.

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If you have any questions, please contact me at the phone number or email address below.

Thanks & take care,

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