BOLTON BP PARTNERS

November 11, 2014

Via e-mail: comments@actuary.org

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

Re: ASOPs and Public Pension Plan Funding and Accounting

Dear Members of the Actuarial Standards Board,

Thank you for the opportunity to comment on your questions regarding public plan actuarial valuation issues. I am a Fellow of the Society of Actuaries and have been an Enrolled Actuary since 1976. I have been an actuary on public sector, private and multiemployer pension plans for over 40 years. I am President of Bolton Partners, Inc. Our firm provides actuarial services for public sector plans in a dozen states and the District of Columbia. Here are my comments on the 6 areas you have queried.

1. Additional guidance is not needed. Pension funding in the public sector is a legal and political, not actuarial, decision. It requires balancing numerous tax and revenue issues (and sometimes workforce issues) with existing state and local laws. While the applicable rules are not uniform across the country, there is no shortage of rules. Check out the Florida and Pennsylvania statutes. Moreover, legislatures can and do regularly change laws. Examples include: changing specified assumptions, changing actuarial methods, changing payment timing, redirecting tax revenue, issuing Pension Obligation Bonds to name a few. Prescribing additional uniformity rules in this environment may, in fact, weaken the effect and influence that we as actuaries have now.
2. Additional guidance is not needed.
3. N/A
4. A likely consequence of introducing a rules based paradigm for public pension plans is a lot of law suits against actuaries and actuarial firms. Litigation exposure is already a great risk for actuaries and firms practicing in the public arena. Some major actuarial firms have gotten out of the public sector business entirely for this reason. Most certainly, deviation from a set of ASB rules - even if the deviation occurred before the rules were published - will be lawsuit fodder. Remember, also, that in the public arena there are competing interests - the employer, the unions or employee groups and the retirees. Any can feel aggrieved and bring litigation - in favorable home state courts.

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What is the argument in favor of a special set of rules for public sector actuaries? Is the ASB swayed by the ill-informed and biased information put out by the SOA[1]? Any more ill advised top down direction from a group of non public sector actuaries on the issue of public pension plans would have a detrimental and potentially fractious impact on our already too small profession. As noted above, I have been involved with private, public sector and multiemployer plans for 40 years. There is no legitimate basis for a unique paradigm to apply to public sector plans. If you want to be rules based – which, as noted above, is a bad idea at this point - you should be rules based for not just for public sector pension actuarial work, not just for actuarial work for all pension plans, but for all actuarial work regardless of discipline.

5. Additional guidance is not needed and, as noted in (1) and (4) above, would likely be counterproductive.

6. 70 and 80 page public sector actuarial reports are not uncommon. Many, if not most, are available on the internet (unlike valuations for ERISA plans). A lot of information already included is of little or no interest to the plan's Board but is included to comply with existing ASOPs. If more information is desired, interested parties (employee groups, unions, retirees and citizen groups) can and regularly do hire their own actuaries for their own purposes. I can tell you that I have yet to see a board that would support providing and paying for additional information for outside interests. Arguably, paying for such information would be a fiduciary violation on their part.

Finally, while no special rules by the ASB for public sector plans are appropriate, an area that could be improved is discipline under the current Standards of Practice. My observation is that the ABCD and its process are ineffectual and need to be revamped.

Sincerely,

BOLTON PARTNERS, INC.

Robert G. Bolton
President

[1] The recent SOA letter to ASB clearly does not represent the views of most SOA public sector pension actuaries and to the best of our knowledge was written without the participation of any key SOA members who work in this area. Precept 2 of our Code of Professional Conduct is worth noting:

> *An Actuary shall perform Actuarial Services only when the Actuary is qualified to do so on the basis of basic and continuing education and experience, and only when the Actuary satisfies applicable qualification standards.*

When evaluating the opinions of such unqualified individuals, the ASB should keep in mind their lack of qualification to work in this arena and should weight their opinions accordingly.