

Comment #23 – 11/12/14 – 9:27 a.m.

November 12, 2014

Subject: ASOPs and Public Pension Plan Funding and Accounting

Dear Actuarial Standards Board,

In the mid-1970s when I first worked in Chicago, I was annoyed by the constant meandering one had to do to get from the train station to work due to detours. There were just so many buildings under construction. I ceased being irritated when I took a trip to downtown Cleveland and experienced no construction but no people either.

That is an analogy to a practice that exists in the actuarial world today. In my life company environment, I am surrounded by a myriad of laws and regulations as well as an abundance of accounting standards. Once I have seen the lack of same in the public pension world, I realize how valuable, if not essential, these legal guideposts are.

The lack of quality legislation and firm and healthy accounting standards has no doubt contributed to the public pension crisis in which we are enrapt today. Not only are assets a mere fraction of the reported liabilities, the liabilities recorded are a fraction of what they should be.

While actuarial standards cannot be a replacement or a proxy for accounting standards and legislation, they can go a good ways to protect the public. Actuarial standards should require that whenever a valuation is required, the actuary should also provide his or her best estimate of what the liability should be so that the obligation is fully recognized at the time each participant starts receiving benefits.

The actuary shouldn't have to opine on the dollar level of funding for these liabilities. It should be one hundred percent.

A standard like this will go a long ways towards assuring the public that we are their servants and that our work can be trusted.

Sincerely,



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