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## South Dakota Retirement System

November 12, 2014

ASOPs – Public Pension Plan Funding Request for Comments  
Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036-4601

Thank you for allowing us to comment on the issues you will be facing in your upcoming review of the Actuarial Standards of Practice (ASOPs) as they apply to public pension plans. Our responses to your questions are as follows:

1. [Public plan funding and associated actuarial valuations are less uniformly regulated than those of private sector pension plans. Actuaries may be asked by their principal to advise on funding levels. Is additional guidance needed, beyond that in the recently revised pension ASOPs, regarding appropriate public plan actuarial valuation practice to assist actuaries in performing their work and advising their principal? Why or why not?](#)

No. Public pension plan funding is certainly less uniformly regulated, but not necessarily less regulated, than private sector pension plan funding. Each plan must adhere to the laws and regulations established by the elected officials governing the plan's jurisdiction. This regulation varies significantly from one locale to another because each governing body operates in a unique fiscal, political and societal environment. Funding practices that work well for one particular government might be wholly inappropriate for a different entity. Uniform regulation may function suitably when judged according to one set of federal priorities, but applying uniform regulation to plans established under vastly different priorities, state constitutions, laws and regulations will likely result in unintended consequences.

As stated in the Request for Comment, public pension plan valuations are currently subject to ASOPs Nos. 4, 6, 27, 35 and 44 which have been recently revised, presumably, with consideration to both private and public sector pension plans. In addition, GASB Statements Nos. 67 and 68 have added considerable disclosure requirements for both public pension plans and their sponsors. Current valuation practices for public pension plans reflect the requirements of the ASOPs and GASB and have been developed to provide plan sponsors, their governing bodies and interested third parties with the information they require. It is unlikely that additionally required uniform information will serve a useful purpose or better meet the needs of all public plans and their stakeholders.

2. [If yes to question 1, in what areas is additional guidance needed?](#)

Additional guidance is not needed.

3. If yes to question 1, should that guidance take the form of a separate public plan actuarial valuation standard or be incorporated within the existing ASOPs? Why or why not?

Additional guidance is not needed.

4. In general, the ASOPs are principles based and not rules based. As a result, the ASOPs are generally not highly prescriptive. Should the ASOPs related to public plan actuarial valuations be more prescriptive? If so, in what areas?

Each public pension plan exists in a unique regulatory, political and societal environment. As a result, each jurisdiction has developed its own funding practices and measurement focus that reflect the jurisdiction's unique priorities. It would be extremely difficult to prescribe uniform valuation requirements that would properly apply to each separate valuation that operates under different laws and priorities.

5. The ASOPs have provided guidance that has been applicable to all areas of practice in the pension community (for example, private sector, multiemployer, public sector). If you believe that additional guidance is needed for public plan actuarial valuations, should any of that additional guidance also apply to nonpublic sector plans? Why or why not?

Additional guidance is not needed.

6. The current definition of an "intended user" of an actuarial communication is "any person who the actuary identifies as able to rely on the actuarial findings" (ASOP No. 41, *Actuarial Communications*, section 2.7). Should the ASOPs require the actuary for public pension plans to perform additional, significant work (which would be incorporated in the guidance provided in the ASOPs) that is not requested by the principal if that work provides useful information to individuals who are not intended users? Why or why not? If so, should this requirement be extended to all pension practice areas? Why or why not?

Providing "additional, significant work"... "to individuals who are not intended users" could conceivably be limitless, placing an unrealistic burden on staffing and financial resources with uncertain additional benefit. In addition, any information provided might be used for purposes unrelated to, or detrimental to the goals of the plan and the priorities of the stakeholders without providing additional value to the public.

Thank you for the opportunity to address these issues.

Sincerely,



Robert A. Wylie  
Executive Director/Administrator



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