

ASOP No. 27 Revision  
Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036

Comment#15

May 2, 2011

RE: Proposed Revision of Actuarial Standard of Practice No. 27 – Selection of Economic Assumptions for Measuring Pension Obligations

To: Actuarial Standards Board

We have reviewed the document “Proposed Revision of Actuarial Standard of Practice No. 27”. The undersigned are all actuaries who work for The New York State Teachers’ Retirement System. The comments made are our own, and not intended to be representative of our employer.

Overall we find the proposed statement provides flexibility in the determination of economic assumptions, and appreciate that actuaries will be able to provide meaningful measurements appropriate to different circumstances. We find the revised statement to be very reasonable. The only item that concerns us is with respect to the issue of the use of geometric and arithmetic returns. There are currently differing opinions on this issue, and cases can be made for using either the arithmetic or geometric return for this purpose. The discussion here does a good job of recognizing this issue, identifies each as a consideration for the actuary, and includes the wording “with no requirement to use either type”. We agree with the discussion on this issue as presented on p. viii of the exposure draft.

In the Statement itself, however, the last sentence of paragraph 3.6.3(j) as written gives greater credence to the geometric average. If in fact both are appropriate for the actuary to consider, and as the earlier discussion relates at this point in time neither can be considered superior to the other for this purpose, then this sentence should be reworded. Both types of return should be portrayed as equally reasonable. We would suggest modifying that sentence to read “The use of an investment return assumption based on a geometric return, an arithmetic return, or a combination of the two, is reasonable.”

We thank the Actuarial Standards Board for the opportunity to provide comments. We commend the Board on developing a reasonable and balanced revised standard.

Sincerely,

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