

**COMMENT 16: AUGUST 1, 2008**

**National Conference of State Legislatures (NCSL)**  
**American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)**  
**National Association of Counties (NACo)**  
**American Federation of State, County and Municipal Employees (AFSCME)**  
**United States Conference of Mayors (USCM)**  
**American Federation of Teachers (AFT)**  
**National League of Cities (NLC)**  
**Fraternal Order of Police (FOP)**  
**International City/County Management Association (ICMA)**  
**National Association of State Treasurers (NAST)**  
**National Association of Police Organizations (NAPO)**  
**National Association of State Auditors Comptrollers and Treasurers (NASACT)**  
**National Education Association (NEA)**  
**Government Finance Officers Association (GFOA)**  
**International Public Management Association for Human Resources (IPMA-HR)**  
**National Association of State Retirement Administrators (NASRA)**  
**National Conference of State Social Security Administrators (NCSSSA)**  
**National Conference on Public Employee Retirement Systems (NCPERS)**  
**National Council on Teacher Retirement (NCTR)**

August 1, 2008

VIA ELECTRONIC MAIL

ASB Comments  
American Academy of Actuaries  
1100 17th St., N.W.  
7th Floor  
Washington, DC 20036

Dear Members of the Actuarial Standards Board:

The nineteen national organizations listed above—representing state and local governments and officials, public employee unions, public retirement systems, and more than 20 million state and local government employees, retirees, and their beneficiaries— appreciate the opportunity to offer comments concerning the review of Actuarial Standard of Practice (ASOP) No. 27 by the Actuarial Standards Board (ASB).

Our memberships are very interested in the adequacy of actuarial standards, including those pertaining to the calculation and disclosure of public pension liabilities. However, we believe that any modifications to ASOP No. 27 should clearly distinguish between standards appropriate for the corporate and governmental sectors. We are also concerned that this review process will get ahead of examinations already under way with regard to governmental accounting.

Specifically, we are concerned about the several references in the ASB Request for Comments related to the concepts of financial economics and their use as “an alternative to the traditional actuarial model.” Recent articles have suggested governments should measure and account for their pension liabilities using corporate sector requirements. However, distinctions between the public and private sectors and the structure and governance of their pension plans often appear to be unknown or misunderstood by the authors of these articles. State and local government employee pensions are designed much like the federal pensions provided to U.S. military and civil service personnel, and are similarly backed by the full faith and credit of their sponsoring governments. Accordingly, suggesting the application of corporate

finance measures—which are aimed at companies that can be acquired or go out of business—is simply inappropriate, uninformed and irresponsible.

Furthermore, while we recognize that one of the roles of the ASB is to provide continuous review of existing standards of practice, the underlying accounting standards for state and local government plans and their sponsors are currently being examined by the independent standard setting authority responsible for financial reporting and disclosure requirements of state and local governments. Therefore, we believe it would be premature for the ASB to begin the process of potentially amending actuarial standards of practice in the public plans area prior to the completion of this examination.

Finally, with respect to the reasons cited for the ASB review of this standard, while the private sector pension landscape may have changed in some respects over the last decade, public sector plans have remained remarkably stable. In fact, the financial picture for public plans today shows aggregate funding levels roughly the same as they were a decade ago, and costs – both as a percentage of payroll and as a percentage of total expenditures – generally lower. Independent sources such as the U.S. Government Accountability Office (GAO) and the Center for Retirement Research at Boston College (CRR), have found the vast majority of public sector pension plans to be sound and on track to meet their future obligations, with over \$3 trillion in financial assets accumulated for the retirement security of millions of Americans.<sup>1</sup>

We appreciate the role of the actuarial profession in helping public pensions provide a secure retirement for American workers and future economic growth for our country. If you would like additional information as you review the comments provided, please feel free to call upon the legislative representatives of our organizations:

Diana Noel, NCSL, (202) 624-7779  
Daniel Pedrotty, AFL-CIO, (202) 637-5000  
Tim Richardson, FOP, (202) 547-8189  
Jeannine Markoe Raymond, NASRA, (202) 624-1417  
Deseree Gardner, NACo, (202) 942-4204  
Bill Cunningham, AFT, (202) 393-6301  
Robert Carty, ICMA, (202) 962-3560  
Alfred Campos, NEA, (202) 822-7345  
Cornelia Chebinou, NASACT, (202) 624-545  
Ed Jayne, AFSCME, (202) 429-1188  
Bill Johnson, NAPO, (703) 549-0775  
Dan DeSimone, NAST, 202-624-8592  
Barrie Tabin Berger, GFOA, (202) 393-8020  
Tina Ott Chiappetta, IPMA-HR, (703) 549-7100 x 244  
Leigh Snell, NCTR, (703) 684-5236  
Hank Kim, NCPERS, (202) 624-1456  
James Driver, NCSSSA, (502) 564-6888  
Neil Bomberg, NLC, (202) 626-3000  
Larry Jones, USCM, (202) 293-7330

---

<sup>1</sup> U.S. Government Accountability Office. 2007. *State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs*. GAO-07-1156. Washington, DC.  
U.S. Government Accountability Office. 2008. *State and Local Government Retiree Benefits: Current Funded Status of Pension and Health Benefits*. GAO-08-223. Washington, DC.

Munnell, Alicia H., Kelly Haverstick, Steven A. Sass, and Jean-Pierre Aubry. 2008. *The Miracle of Funding by State and Local Pension Plans*. Center for Retirement Research at Boston College and the Center for State and Local Government Excellence.

