

Jeff Furnish Comments

1) Should a public pension plan be required to disclose market value of assets as part of its required disclosures?

Yes, because asset value is a critical part of understanding the overall financial status of the plan, and market value is the best measure of asset value on a given date.

2) Should a public plan be required to disclose the required current year contribution and unfunded liability based on its chosen funding method and market value of assets as part of its required disclosures?

Yes, same reason as above.

3) Should the primary disclosure of the required current year contribution and unfunded liability for a public pension plan be based on market value of assets?

Yes, same reason as above.

4) Should the actuary be required to use market value of assets as the sole basis of the required current year contribution and unfunded liability calculations for a public pension plan?

Yes, same reason as above. While sensitivity analysis of future investment return should be allowed and could be either a required or optional disclosure, it should be done in relation to current market value.

Asset valuation methods which defer recognition of some portion of investment gains and losses to future periods assume that values oscillate around some inflation-adjusted mean. There is no basis for such an assumption, nor can anyone reliably say what that mean is. As such, such an assumption should not be allowed. The true purpose of these methods is to introduce smoothing for budgetary stability. Whether or not this is desirable, there is no actuarial justification for believing that the best measure of asset value on a given measurement date is anything other than market value. -- Jeff Furnish, FCA, ASA, MAAA. Past chair, SOA Pension Committee; Past chair, CCA Pension Committee