

Teri E. Landin
Retirement Systems Actuary
New York State and Local Retirement System

I am a pension actuary who has worked in the public sector for over 30 years. Please note that these comments are mine and may not represent those of my employer or any other groups.

I support the release of clear and relevant disclosure. However, I can not endorse "market value of liabilities" as having any relevance for an entity that has a well-diversified portfolio, cannot terminate, freeze or even reduce the accrual rates for existing members. Of what use is a calculation where one piece is proscribed and the remaining assumptions are not adjusted accordingly? The resulting package of assumptions is not internally consistent nor does it describe a real world scenario. If the goal is to produce what-if scenarios and sensitivity tests, there are other ways to accomplish this.

The actuarial profession is divided regarding the appropriateness of "market value of liabilities" as it applies to plans that cannot terminate or reduce accruals. The New York State and Local Retirement System's history provides a case study on unintended and undesirable consequences resulting from a new required disclosure. In the late 1980's GASB issued Statement #5 which required a liability disclosure using the projected unit credit method. Within a short time period, GASB's new disclosure was used as the justification to legislatively change the funding method of the System which led to an elimination of employer contributions. This politically inspired funding change was eventually struck down by the courts and GASB ultimately abandoned the disclosure that led to the change. Perhaps many would argue that the original disclosure was an accurate calculation and had laudable goals. Nevertheless, it was used to "raid" the pension system.

If the actuarial profession is divided regarding "market value of liabilities", imagine how the public and politicians will react to this new disclosure. Why would you think that this information will be used properly? New York State's experience says that it will be used to further others' agendas.

Unless a disclosure is relevant and can be definitively explained to a reader, a new disclosure can have inappropriate consequences. You have only to look at history.

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