



C. L. "BUTCH" OTTER
GOVERNOR

August 28, 2008

The Board of Directors
The American Academy of Actuaries
1100 17th Street NW, 7th floor
Washington, DC 20036

Public Interest Committee Request for Comments

Dear Members of the Board and Committee,

I am writing to express my serious concerns with the American Academy of Actuaries' efforts to pursue mandating that governmental pension plans report their financial condition as if they could be terminated immediately. This Market Value of Liabilities (MVL) approach can have an extremely harmful impact on the funding of the Public Employee Retirement System of Idaho (PERSI).

My office has worked very hard over many decades with the Idaho Legislature and other elected officials of Idaho, along with the Trustees of PERSI, to ensure a well-run, well-funded retirement system within realistic financial resource. This departure from the current, well-established accounting and funding methodology simply is not appropriate for the long time horizon provided by public pension funds and historical investment returns that have been achieved.

The impact of using the lower investment return assumptions under the MVL approach clearly will cause an unwarranted increase in employee and employer contribution rates. From the actuarial viewpoint, we will be leaving long-term equity returns on the table in favor of valuing liabilities using only bond return rates. The taxpayers and public employees of Idaho no longer would be able to have our well-diversified actual portfolio returns be considered in the funding of the plan solely based on a change in methodology.

I strongly encourage the Academy to reject using this "termination plan" approach of MVL with public retirement plans and continue the current valuation methods, which recognize the actual diversified market returns available for funding of public pension plans over time.

As Always – Idaho, "Esto Perpetua"

A handwritten signature in dark ink, appearing to read "C.L. Butch Otter".

C.L. "Butch" Otter
Governor of Idaho

CLO/aw