

Outline of Proposed Comments to the
American Academy of Actuaries Public Interest Committee
By Dave Stella,
Secretary, Wisconsin Department of Employee Trust Funds (ETF)
On behalf of
The National Council on Teacher Retirement (NCTR)

I will be representing NCTR, an independent organization dedicated to safeguarding the integrity of public retirement systems in the United States and its territories to which teachers belong and to promote the rights and benefits of the members, present or future, of the systems. Currently, NCTR membership includes 77 state, territorial, local, and university pension systems. These systems serve more than 16 million active and retired teachers, non-teaching personnel, and other public employees, and have combined assets of more than \$1.4 trillion in their trust funds. My comments also reflect the views of the Wisconsin Department of Employee Trust Funds (ETF), which administers retirement and other benefit programs for more than 540,000 Wisconsin Retirement System (WRS) participants and 1,400 employers. ETF programs cover state and local government employees and retirees.

I intend to focus on the nature and role of the pension plan itself in the public sector, and to demonstrate that governmental pension plans, unlike their private sector counterparts, are long-term (essentially permanent), stand-alone, independent organizations and not merely “pass-through” entities.

- Public pension plans in the United States date back almost 150 years and pre-date the involvement of the private sector and the federal government in this arena. Unlike private corporations’ plans, which increasingly cannot be counted on to maintain a long-term commitment to their pension promises, governmental plans continue to prove to be reliable and effectively permanent.
- Boards of trustees of governmental plans are typically composed of representatives of public employers/legislators, public employees, and taxpayers. They have been empowered as fiduciaries by their stakeholders to efficiently and equitably manage the retirement security of governmental employees through the pooling of risk in order to provide a pension benefit at a lower cost to the taxpayers than can be obtained from the market directly.
- In order to accomplish their fiduciary duties, public plans take a long-term view of risk and reward, managing the plan on a longer time horizon than that of the individual taxpayer. They do so by allocating a portion of the cost of an ongoing benefit program, typically guaranteed by law, over a long-term investment horizon among successive generations of taxpayers.
- Given that the assurances applicable to governmental pensions guarantee not just the accrued benefits but, in most cases, the projected benefits of system members, information relevant to the sufficiency of current revenues to provide future cash flows adequate for the funding of these long-term benefit obligations is paramount.
- Since plan funding is therefore inextricably linked to the incidence of the long term cost of benefit obligations, and MVL is not linked directly to funding methods, it does nothing to help public plans and their boards of trustees determine the stability, adequacy and appropriateness of funding for such a long-term enterprise.

Public pension plans, and the boards of trustees who are responsible for their governance, are clearly stakeholders in this overall process. On behalf of its member systems, NCTR believes that the disclosure of market value of assets and liabilities for public pension plans would not be helpful to them in the exercise of their fiduciary obligations, and is therefore not in the public interest.