



August 29, 2008

VIA E-MAIL to: picpubplanswritten@actuary.org

Public Interest Committee
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James P. Testerman, *President*
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John F. Springer, *Executive Director*

To the members of the Public Interest Committee:

On behalf of the 186,000 members of the Pennsylvania State Education Association, I am writing to state our support of the concerns expressed in comments sent to the Actuarial Standards Board on August 1, 2008 by Janet H. Cranna of Buck Consultants, the Principal Actuary for Pennsylvania Public School Employees' Retirement System (PSERS).

To restate some of their main points:

“[O]ur concern is that the Standard could be modified to require, or establish as standard actuarial practice, the calculation of a “market value” of a plan’s liability for accrued benefits, where market value is taken to mean the present value of accrued benefits under prevailing yields on low- or no-risk debt instruments.

“We believe, as do many of our public-sector clients, that there are significant differences between the public and private sectors that make calculations of market values of pension liabilities for public-sector retirement plans a questionable practice and potentially even harmful. Primarily, we believe that the essentially infinite lifespan of a public-sector plan sponsor makes it entirely appropriate for the value of its pension liabilities to be determined on the basis of long-term expected rates of return on assets held to back those liabilities. We believe that this is true in measuring a public entity’s pension liabilities for financial disclosure purposes as well as for funding. Recalculation of those liabilities on what amounts to a termination basis would serve no purpose, as public entities do not go out of business or terminate their plans in the manner in which private-sector plans are often terminated. Required disclosure of those liabilities on what is essentially a meaningless basis for a public-sector entity would likely confuse and mislead taxpayers, participants and public officials and lead to less-than-optimal decisions on funding, plan changes and other important matters.”

PSEA’s priority in this matter is maintaining the long-term health and security of the public pension funds that provide secure retirements for our members. We are concerned that the calculation of a “market value” of a plan’s liability for accrued benefits will understate the true health of the public pension plans and overstate the size of employers’ and employees’ contributions necessary to provide our members with a safe, secure retirement benefit. Both of these outcomes would cause undo alarm among our members and the other citizens of our state and undermine the most efficient method of providing a secure retirement for our members after their lifetimes of public service.

The PSEA Mission

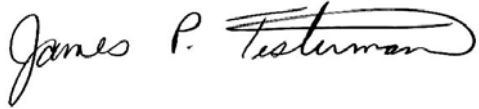
To advocate for quality public education and our members through collective action.

Affiliated with the National Education Association



We agree with the conclusion of Janet H. Cranna when she writes, “We are of the opinion that the standard presently in place for the selection of economic assumptions works well for public-sector retirement systems and the actuaries who serve them, and we urge the Actuarial Standards Board not to change it in a manner that could well prove harmful to those systems.”

Sincerely,

A handwritten signature in black ink that reads "James P. Testerman". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

James P. Testerman
President
Pennsylvania State Education Association