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AMERICAN ACADEMY *of* ACTUARIES

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October 2, 2012

Moody's Investors Service  
7 World Trade Center  
250 Greenwich Street  
New York, NY 10007  
*Sent via email to: cpc@moodys.com*

**Subject: Comments on Adjustments to US State and Local Government Reported Pension Data**

Dear Sir or Madam:

The Pension Practice Council of the American Academy of Actuaries<sup>1</sup> appreciates the opportunity to comment on Moody's proposal to adjust the pension liability and cost information reported by state and local governments and their pension plans. It is our understanding that Moody's will make adjustments to reported pension information as part of its proprietary analysis for establishing credit ratings of state and local governments.

The appropriate measures of pension obligations depend on the purpose of the measurement. Measurements under both the current and future Government Accounting Standards Board (GASB) standards are designed largely to reflect contribution budgets. The reported actuarial results under GASB's standards are not necessarily appropriate as a basis for other purposes, such as Moody's comparing pensions and other incurred debt.

To obtain the highest quality information consistent with the purpose of your analysis, pension information specific to your purpose should be prepared by a qualified pension actuary with access to the appropriate tools and data for each plan. We are concerned that the margin for error in the adjustments proposed by Moody's, which starts with information prepared for a different purpose, could be substantial and could result in misleading, confusing or inappropriate information presented to the public. Any disclosure of this estimated information should contain a caveat that indicates the source of the original information, the adjustments made to this information, the purpose of the adjusted information and that direct calculations (as opposed to the adjustments) could result in significant differences.

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<sup>1</sup> The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

We would be happy to discuss these comments or any other matter with you at your convenience. Please contact Donald Fuerst, the Academy's Senior Pension Fellow (202-785-7871, fuerst@actuary.org) if you have any questions or would like to discuss these items further.

Sincerely,

John H. Moore, MAAA, FSA, FCA, EA  
Vice-President, Pension Practice Council