



1920 N Street NW Suite 400 Washington, DC 20036-1659  
T 202.833.6400 F 202.833.6490 www.segalco.com

July 3, 2013

Ms. Tonya Manning  
President of the Society of Actuaries  
670 Kingsbury Circle  
Winston-Salem, NC 27106

Dear Ms. Manning:

The derivation of actuarially determined contributions for employers tasked with the charge of meeting the promise of pension benefits in the public and private sectors is at the core of pension actuarial practice. The Society of Actuaries (SOA) recent establishment of a Blue Ribbon panel “to make recommendations as to how governments can more securely fund plans going forward” seeks to address this important issue, but is a misplaced effort. Developing guidance on the setting of actuarial funding policy is not within the purview of the SOA, but rather that of the American Academy of Actuaries. The SOA intrusion into the policy development arena runs the risk of being distracting and counterproductive, especially in an already crowded field of interests who want to tell governments how to value their pension liabilities.

It is of particular concern that the membership of the panel lacks balance in both its funding policy views and public sector pension actuarial expertise. The majority of the panel members has consistently written and/or spoken, often based on flawed assessments, on the funded status of public plans. The solution suggested by many of the panelists to remedy funding deficits is to inject private-sector, market-driven accounting and valuation rules, albeit inappropriately, into public sector plan actuarial practices. In addition, had the SOA truly wanted an open and comprehensive review, it would not have designed a survey wrought with bias, which leads respondents to believe that funding practices in the public sector are already known to be inferior. Moreover, the distribution of the survey was only partially directed by the SOA, leaving to chance the diversity of the views expressed.

As a company that works with hundreds of public pension plans across the country, we are appalled at how this process has been compromised, and we are convinced it has been designed to reach very specific and preconceived conclusions. It is unfortunate at best, and dangerous at worst, that the SOA took this route when a more thoughtful, inclusive, disciplined process would

**Benefits, Compensation and HR Consulting** Offices throughout the United States and Canada



Founding Member of the Multinational Group of Actuaries and Consultants, a global affiliation of independent firms

President of the Society of Actuaries

Date

Page 2

have better served the public sector pension systems, public plan participants and the SOA membership to develop meaningful recommendations.

Our only interest is to work with our clients, the public pension industry and relevant parties to have a balanced approach to funding policy. Should you or the panel wish to discuss our concerns, we would be happy to engage in a conversation.

Sincerely yours,

*Cathie G. Eitelberg*

Cathie G. Eitelberg

Senior Vice President/ National Public Sector Market Director

CC: Members of the Blue Ribbon Panel

783666V1/96005.005