

On July 16, 2009, the *Wall Street Journal* published NASRA President Terry Slattery's letter to the editor regarding its op-ed piece titled, "Public Pensions Cook the Books." PERSI felt members might be interested in the article and NASRA's response. The link to the original op-ed article published on July 6, 2009, and NASRA's letter are below: <http://online.wsj.com/article/SB124683573382697889.html>

NASRA Response:

Andrew Biggs's article reflects a misguided understanding of state and local pensions and government accounting, ignores salient facts and distorts key issues. He chastises government pensions for not using a corporate finance model that represents a settlement price, but fails to acknowledge that this is irrelevant to public pensions because they and their sponsoring entities are going concerns, not subject to takeover or going out of business.

Rather than accuse the National Association of State Retirement Administrators of "taking the low road," had Mr. Biggs read our resolution on the subject, he would know our opposition to so-called market-based techniques is logical and fact-based. Further, the application of these techniques to corporations has been a leading cause of pension abandonment due to the extreme volatility they cause in funding levels and required costs.

Mr. Biggs should also recognize that both actuarial and accounting standards support the use of the plan's long-term investment return assumption. This fact animated the state of Montana to insist on actuaries who would not espouse practices in conflict with the state's legal environment and actuarial and accounting standards. It is nonsensical to require state and local governments to calculate a settlement value for plans that are not going to terminate.

The Governmental Accounting Standards Board considered and rejected so-called "market-based" techniques in 1994 when it established standards for calculating and reporting public pension liabilities. GASB instead found that trend-based actuarial measures, consistent with public plans' long-term nature, are a better gauge of a plan's financial condition than the single-point, market-based measures promoted by Mr. Biggs, a group of financial economists and those with a financial interest in the outcome of this debate.

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