Dave Kubes 5-16-22

LCPR meeting

kubes5t6@gmail.com

Resources:

1. Gold, Jeremy (deceased), VP of the Pension Practice Council of the Academy of Actuaries and Chair of the Pension Risk Management Task Force of the Society of Actuaries. He said, "Im here to tell you a story about how a profession has failed to fulfill its duty to the public and thus aided and abetted the very real cease in public pension plans." His conclusion was: actuaries have not, alone, caused the crisis, elected officials, unions, untrained trustees, self-interested asset managers have all done their part. Actuaries have, however, enabled and abetted. They should have brought science and discipline to public decision making. See You Tube September 28, 2015 (Jeremy Gold).

2. Waring, Barton Putting the Risks and Costs of Defined Benefit Plans Back Under Your Control. He said, "The use of an inaccurate discount rate creates real and consequential differences in the health of the pension plan as the use of the expected result assumption as the discount rate virtually guarantees the eventual failure of any plan using it."

3. Public Pensions in Minnesota, May 2006, Center for Public Finance Research, Research in Government
4.Minnesota Center for Fiscal Excellence, "Fixing Minnesota's Public Pensions: What every Citizen Should Know" Updated July 2018.
5.GRS letter to PERA November 16, 2021 regarding the July 1, 2021 annual actuarial valuation of PERA. ("**In our professional judgment, the statutory investment return assumption of 7.5% used in the report deviates materially from the guidance set forth in Actuarial Standards of Practice No. 27 (ASOP No. 27).**" (bold in original).
6. Milliman July 1, 2013 Actuarial Review of the Retirement Systems under the Minnesota Legislative Commission on Pensions and retirement (report dated January 31, 2014). According to the report, "This means the 8.0/8.5% assumption is somewhat more likely to generate investment losses in the future as opposed to investment gains relative to the 8.0/8.5% long-term return assumption according to the output from Milliman's standard model. . . .As a reference point the fiftieth percentile return based on Milliman's capital market model is significantly less than 8.5%. In our view, we might feel that the current 8.5% assumption does have a bias towards optimist."