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**M E M O R A N D U M**

**TO:** All Local Retirement Boards

**FROM:** Robert F. Stalnaker

**RE:** Actuarial Valuations

**DATE:** December 22, 1998

Section 21(3) of Chapter 32 requires that PERAC prepare an actuarial valuation for each system every three years. The Governmental Accounting Standards Board (GASB) requires that for financial reporting purposes, an actuarial valuation of a system should be performed at least every two years. Aside from the financial reporting requirement, we believe annual valuations represent sound business practice with respect to pension management, and at the absolute minimum should be performed every two years. If the valuation is only performed every two years, we recommend performing an interim valuation in the off year.

Completing more frequent valuations requires the assistance and cooperation of the private actuarial community. We encourage systems to work with private actuaries and establish relationships on an ongoing basis. In accordance with Chapter 32, section 21 (3)(c), PERAC's actuary is responsible for "the preparation of an actuarial valuation report for each system". By working with the various actuarial firms throughout the private valuation process and reviewing a draft actuarial report before the valuation is finalized, PERAC may adopt private valuations as meeting the triennial requirement

We have discussed these issues with the private actuarial community and we believe they support us in this effort. They have indicated to us that market volatility and the annual COLA decision, in addition to good pension practice, call for valuations being performed more often than every three years. In the private sector annual valuations are required.

We will continue to perform valuations for the State Employees and Teachers Systems as well as other systems to help meet the goal of biennial valuations. Please contact our actuary, Jim Lamenzo, if you have any questions.