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# NATIONAL COUNCIL ON TEACHER RETIREMENT

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March 19, 2003

Mr. Stephen L. Nesbitt  
Senior Managing Director  
Wilshire Associates, Inc.  
1299 Ocean Avenue, Suite 700  
Santa Monica, CA 90401

Dear Mr. Nesbitt:

I am writing on behalf of the National Council on Teacher Retirement to express great concern with many of the misleading statements and conclusions contained within the recently released 2003 Wilshire Report on State Retirement Systems. This report, following on the heels of Wilshire's 2002 report which contained similar distortions, does a disservice to your readers, members of public retirement systems, and plan sponsors, the great majority of whom have been appropriately funding their retirement liabilities while following amortization schedules that meet standard actuarial practices.

The defined benefit plans of most public retirement systems are designed to accumulate the funding needed to pay liabilities over a very long period of time. Long-term assumptions are made for economic factors, including investment earnings, recognizing that there may possibly be extended periods of time during which market gains will either exceed or fall short of those assumptions. However, by using reasonable actuarial assumptions, diversifying portfolios, and pooling experience, public retirement systems are able to reduce the year-to-year fluctuations in contribution rates while ensuring that the assets needed to fund member benefits are accumulated over the long-term.

Given the funding approach of most public system defined benefit plans, it is not surprising that the extended bear market of the past three years has negatively affected the ratio of assets to liabilities. Despite this, however, the Report's own data demonstrate that the majority these systems have accumulated assets sufficient to weather even this extended down market and remain actuarially and financially sound. Beneficiaries of our systems can remain confident that their benefits will be paid, now and in the future.

Stephen L. Nesbitt

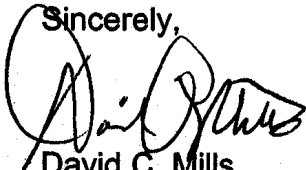
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We share in the concern expressed by others in the public pension community that your reports fail to adequately and contextually define terms such as "underfunded plan" and "unfunded pension liabilities". While those in the profession understand the nature of these terms, neither the average citizen nor retirement system beneficiary does. Consequently, at best your report creates confusion and at worst unnecessary alarm among those who count on monthly annuity checks from a public retirement system for the economic security of themselves and their families.

On behalf of the member systems of National Council on Teacher Retirement, I ask that you carefully consider these comments in preparing future editions of this report.

Sincerely,

A handwritten signature in black ink, appearing to read "David C. Mills", written over a circular stamp or mark.

David C. Mills

President

National Council on Teacher Retirement