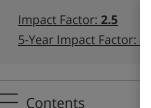
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Abstract

This research adds the return assumptions explained by political and monitoring effects.

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influence adopted investment return assumptions. Based on a multivariate regression analysis of data on 88 state DB pension plans in the United States, the results of this study suggest that adopted investment return assumptions are partly determined by investment boards' affiliation with the political process. The results also indicate that the adopted assumptions are influenced by asset allocations and the fiscal condition of pension plans. The findings of the study are important in part because they draw attention to possible linkages between the quality of financial information that is reported about the financial condition of public pension funds and their surrounding governance structure. Reliable information about the actual size of unfunded pension liabilities is critical in political environments, where there tend to be a bias toward shifting pension obligations to future constituents.



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Appendices

Appendix: Correlation Matrix

	PropPol Appt	InvCncl	PPCC award	Union	PropBrd Part	PercARC	BudGap	FailThresh hold
PropPolAppt								
Pearson's correlation	1	-0.070	-0.095	-0.042	-0.203	0.106	0.150	-0.213 <u>*</u>
Sig. (two- tailed)		0.517	0.377	0.698	0.057	0.325	0.162	0.046
N	88	88	88	88	88	88	88	88
InvCncl								
Pearson's correlation	-0.070	1	0.095	0.060	0.049	0.019	-0.151	-0.210
Sig. (two- tailed)	0.517		0.378	0.579	0.653	0.857	0.159	0.050
N	88	88	88	88	88	88	88	88
PPCCaward								
Pearson's correlation	-0.095	.095	1	0.184	0.159	0.110	-0.034	-0.292 <u>**</u>
Sig. (two- tailed)	0.377	0.378		0.086	0.140	0.306	0.753	0.006
N	88	88	88	88	88	88	88	88
Union								

	PropPol Appt	InvCncl	PPCC award	Union	PropBrd Part	PercARC	BudGap	FailThresh hold
Pearson's correlation	-0.042	0.060	0.184	1	0.049	0.177	0.043	-0.260 *
Sig. (two- tailed)	0.698	0.579	0.086		0.647	0.098	0.691	0.014
N	88	88	88	88	88	88	88	88
PropBrdPart								
Pearson's correlation	-0.203	0.049	0.159	0.049	1	0.108	-0.023	-0.107
Sig. (two- tailed)	0.057	0.653	0.140	0.647		0.318	0.832	0.322
N	88	88	88	88	88	88	88	88
PercARC								
Pearson's correlation	0.106	0.019	0.110	0.177	0.108	1	0.093	-0.190
Sig. (two- tailed)	0.325	0.857	0.306	0.098	0.318		0.389	0.076
N	88	88	88	88	88	88	88	88
BudGap								
Pearson's correlation	0.150	-0.151	-0.034	0.043	-0.023	0.093	1	0.012

	PropPol Appt	InvCncl	PPCC award	Union	PropBrd Part	PercARC	BudGap	FailThresh hold
Sig. (two- tailed)	0.162	0.159	0.753	0.691	0.832	0.389		0.915
N	88	88	88	88	88	88	88	88
FailThresh ho	old							
Pearson's correlation	-0.213 <u>*</u>	-0.210	-0.292 <u>**</u>	-0.260 <u>*</u>	-0.107	-0.190	0.012	1
Sig. (two- tailed)	0.046	0.050	0.006	0.014	0.322	0.076	0.915	
N	88	88	88	88	88	88	88	88
PropFixed Cash								
Pearson's correlation	-0.020	-0.015	-0.061	0.105	-0.155	0.122	0.074	0.047
Sig. (two- tailed)	0.851	0.892	0.575	0.330	0.149	0.259	0.490	0.661
N	88	88	88	88	88	88	88	88
* Correlation is significant at the 0.05 level (two-tailed). ** Correlation is significant at the 0.01 level (two-tailed).								

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