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Chairperson's Corner

By Grace Lattyak

As a pension actuary who works for—and has always worked for—US corporate single employer plans, I came into my tenure on the Pension Section Council with some preconceived notions about retirement plans in general:

> Most retirement plans are transitioning to DC. Being a retirement actuary is a lot about being really good at following complicated rules, and a lot of the actuarial science we have learned is great as background for the calculations we do. However, there isn't much opportunity to use discretion in how to apply that actuarial science. Public plans and multiemployer plans are all poorly funded. Financial economics theory is interesting, but I don't need to worry too much about it since my calculations are prescribed. And so on.

As I have had the opportunity over the past three years to talk with pension actuaries with different perspectives, many of those preconceptions have been challenged and altered, and I have been able to grow in how I approach my own consulting.

The public plan and multiemployer plan actuaries I have encountered have opened my eyes to the variety of financial health statuses that exist among their pension plans. Many are managed extremely well. Many have made all of their required contributions, and some even voluntarily disclose wind-up cost liabilities (which many corporate plans do not). Of course, we hear about the problematic plans because their poor funded status will likely have a direct negative impact on participants and/or taxpayers, and we should be paying attention to those plans. However, it is important not to extrapolate the experience of the problem plans to all others, and we can learn from the plans that are doing well.

Not all retirement plans are going to shift to DC. The type of retirement plan that works for an employer or group of employers varies. One size does not fit all. A government employer is fundamentally different from a corporate employer whose business may transform significantly in a generation. Canadian provinces are playing with a lot of risk-sharing ideas. The answer doesn't have to be just defined contribution (DC) or just defined benefit (DB) or just cash balance. We can get creative in helping an organization find the right sharing of risk that works for its particular needs.

If you want to have some real fun with actuarial science, like having discretion with funding methods and discount rates, talk to a public or multiemployer plan actuary. As a corporate actuary, should I just follow the rules prescribed by ERISA and FASB and not consider any other measure of liability or a non-prescribed funding strategy? As with the plan design, different clients find different measures of pension "expense" more useful and applicable than others. Having an open mind regarding what is the best measure of liability (versus the prescribed measure) can help my clients make better decisions about what they do with their plans.

Financial economics and how it should or should not be applied to pension plans is an ongoing discussion and one that I personally want to hear a lot more about. There are smart people on both sides of the discussion who really have the best interest of pension plans at heart. After hearing many discussions and reading about this topic, I certainly think about financial economics much more when consulting with my clients. Regardless of your view on how financial economics should be applied to pension plans, I do think being conversant in the concepts helps us to engage more with financial professionals outside the actuarial world.

If you want to learn more about plans outside your field of expertise or hear the experiences of actuaries who have a different main area of practice, I recommend you take a look at the Pension Section webpage for research papers, podcasts, *The Pension Forum*, and *Pension Section News* articles. Even better, attend a networking event or a meeting in your city, or volunteer with an actuarial organization where you can directly engage with other actuaries. Go to some annual meeting sessions, or listen to some webinars that aren't directly in your wheelhouse. Extrapolate what you learn from others to your own work so you can grow as a retirement actuary.

It has been a privilege to serve on the Pension Section Council these past three years, this past year as the chair. As with actuarial valuations (good data in, good data out), you get out what you put in when it comes to growing as an actuarial professional, so I am excited to remain engaged as a volunteer in the actuarial profession and, as a result, continue to grow in my career.

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