



SOCIETY OF ACTUARIES

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SOCIAL INSURANCE AND PUBLIC FINANCE PENSION RESEARCH PROJECT SYNOPSIS

By Social Insurance and Public Finance Pension Sub-committee



Public pension plans are mentioned frequently in the media and it is no secret that a number of high profile plans are significantly underfunded. Further, it is difficult to make an assessment of the nature and degree of the situation given the available information. For these reasons, the pension sub-committee of the Social Insurance and Public Finance (SI&PF) section has undertaken a research project to design a prototype public pension report. This report will focus on ensuring that relevant information about the financial health of all plans is readily available and accessible to all interested parties, including sponsors, participants and state and local officials. The sub-committee's main aim in undertaking this research is to design a prototype report that is transparent, understandable and informative to those with an interest in public pension plans.

In designing the prototype report, the structure of an actuarial control cycle will be used as a guide. As with other actuarial applications (e.g., valuation of insurance organizations or books of business, establishment of insurance liabilities, etc.), an actuarial control cycle can serve as a continuous feedback loop on the financial health

of public pension plans. Among other items, information that could be communicated (as the final result of this project) is as follows:


- Financial results and implications produced from the use of current assumptions and methods.
- A different set of results, with different implications, produced from the use of alternative assumptions and methods.
- The impact on results if experience emerges differently than assumed.
- The impact on results of different governance decisions.
- Those assumptions with the most significant impact on the financial condition of the plans.

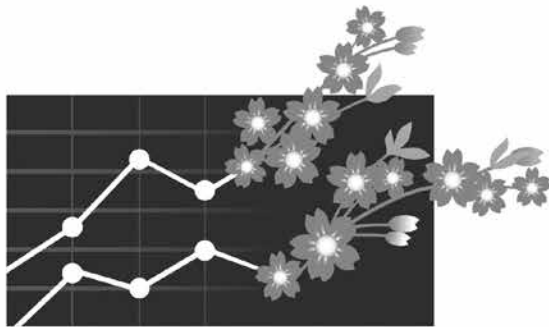
The sub-committee recognizes that its prototype report will set an ambitious benchmark, but hopes to encourage dialogue and action within the actuarial community that will lead to its general adoption (after an appropriate revision thereof) as an example of best practice over time.

In completing its research the sub-committee will prepare a number of sample prototype reports of public pension plans with both strong and weak financial positions, using public data, thereby illustrating what information generally is available today, the gaps to be filled in order to meet the aspirational report content, the activities the actuarial profession can undertake, and the influence it can exert to reach the "best practice" report format. These reports will have a common format, but will allow for some variation due to differences in available information and the relative priority of issues that plans confront. By improving the communication regarding the financial health of public pension plans, we are improving the ability of all to enter this dialogue, on how best to improve the financial condition of public pension plans.

The sub-committee will present the initial results of its research at the SOA's Annual Meeting in

October 2013. The session content will include the following:

- A presentation of the draft prototype report.
- A discussion focused on the key gaps observed between information that is generally available today and that which could be considered in best practice.
- The development of the next steps to encourage the general adoption of a best practice prototype report for public pension plans. 



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