



SOCIETY OF ACTUARIES

Article from:

The Pension Forum

January 2003 – Volume 14 – Issue 2

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As a longtime critic of the same actuarial principles and practices that they criticize, I welcome the initiative taken by Bader and Gold. They have clearly articulated the fundamental sources of error in the actuarial model and indicated how they might be corrected. I would add to their list of references some earlier articles from the financial economics literature that might help to further elucidate and support their arguments. I believe that the seminal paper was “What are Corporate Pension Liabilities?” *Quarterly Journal of Economics*, (August 1982): 435-52. It was written by the economist, Jeremy I. Bulow, and it is reproduced in the collection of papers which I co-edited with Phil Davis, *The Foundations of Pension Finance*, published by Edward Elgar in January 2001. My own article on this subject is “The ABO, the PBO, and Pension Investment Policy,” *Financial Analysts Journal*, September/October 1990. It too is reproduced in *The Foundations of Pension Finance*.

References

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Bodie, Z. and Davis, E. P., Eds., *The Foundations of Pension Finance*, Cheltenham: Edward Elgar, 2000.

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<http://faculty-gsb.stanford.edu/bulow/articles/what%20are%20corporate%20pension%20liabilities.pdf>