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Pension Section News

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Comparison of IAS 19 Provisions
U.S. GAAP as per *FAS 87, 88, 106,* and *112*
(Actuarial Valuation Method: Projected Unit Credit Method)

	International Standard IAS 19	**U.S. GAAP *FAS 87, 88, 106*, and *112***
Business Combinations	Recognize all unrecognized gains or losses, past service costs and transition adjustments at the date of combination	Recognize all unrecognized gains or losses, past-service costs and transition adjustments at the date of combination
Transition Provisions	The cumulative effect of adopting the new standard can be recognized immediately as an adjustment to retained earnings, or it can be spread over up to five years	The cumulative adjustment can be amortized over the average future service period of employees or, if longer, 15 years for pensions or 20 years for OPEBs
Short-Term Post Employment Benefits	Those benefits that accumulate with employee service should be recognized as the rights of those benefits accumulate. Benefits that do not accumulate with employee service should be recognized when an event occurs.	Those benefits that accumulate with employee service should be recognized as the rights to those benefits accumulate. Benefits that do not accumulate with employee service should be recognized when an event occurs.
Effective Date	Fiscal years beginning on or after January 1, 1999. Early adoption permitted.	Effective dates were: • *FAS 87:* Fiscal years after December 15, 1986 • *FAS 106:* Fiscal years after December 15, 1992 • *FAS 112:* Fiscal years after December 15, 1993

Study Note Corner

Valuation of Pension Benefits for Disabled Participants (Course P–461U Study Note)

by Edward Sypher

The mortality rates for a pension plan's disabled participants are substantially greater than the mortality rates for the healthy participants. Experience data from some large plans show that the disabled participants can be subject to mortality rates that are two or three times as great as those for the nondisabled. Because of this, many pension actuaries choose to use separate mortality tables for their disabled populations.

In this paper, we discuss some of the considerations involved in choosing such a table. We start with a brief review of fundamental concepts and terminology used in actuarial discussions of disability. Following this, there is a discussion of common disability tables, as well as other sources of disability data (including the disability experience of the Social Security program). Finally, we address several questions that a pension actuary should consider when valuing disability benefits.

The paper addresses only the valuation of benefits to persons who are currently disabled. It does not address the prediction of future rates of incidence. Nor does it address questions of how a plan's funding method might reflect the value of disability benefits.

To order Study Notes, please contact Aleshia Zionce, Study Note Coordinator, at 847–706–3525. The price for Study Note 461–64–98 is $8. An up-to-date list of Study Notes and prices is available on the SOA website at http://www.soa.org in the Education and Exams area.