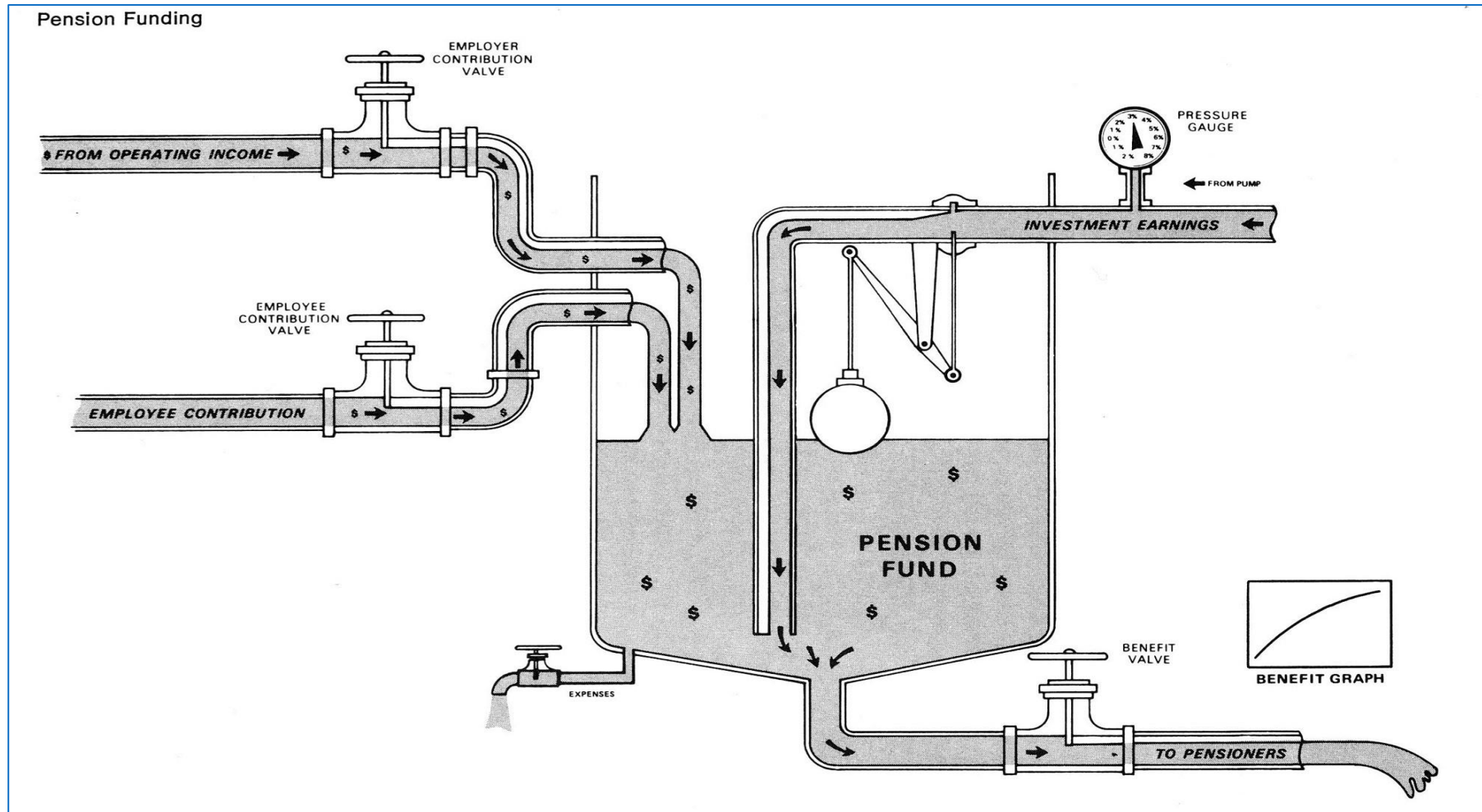




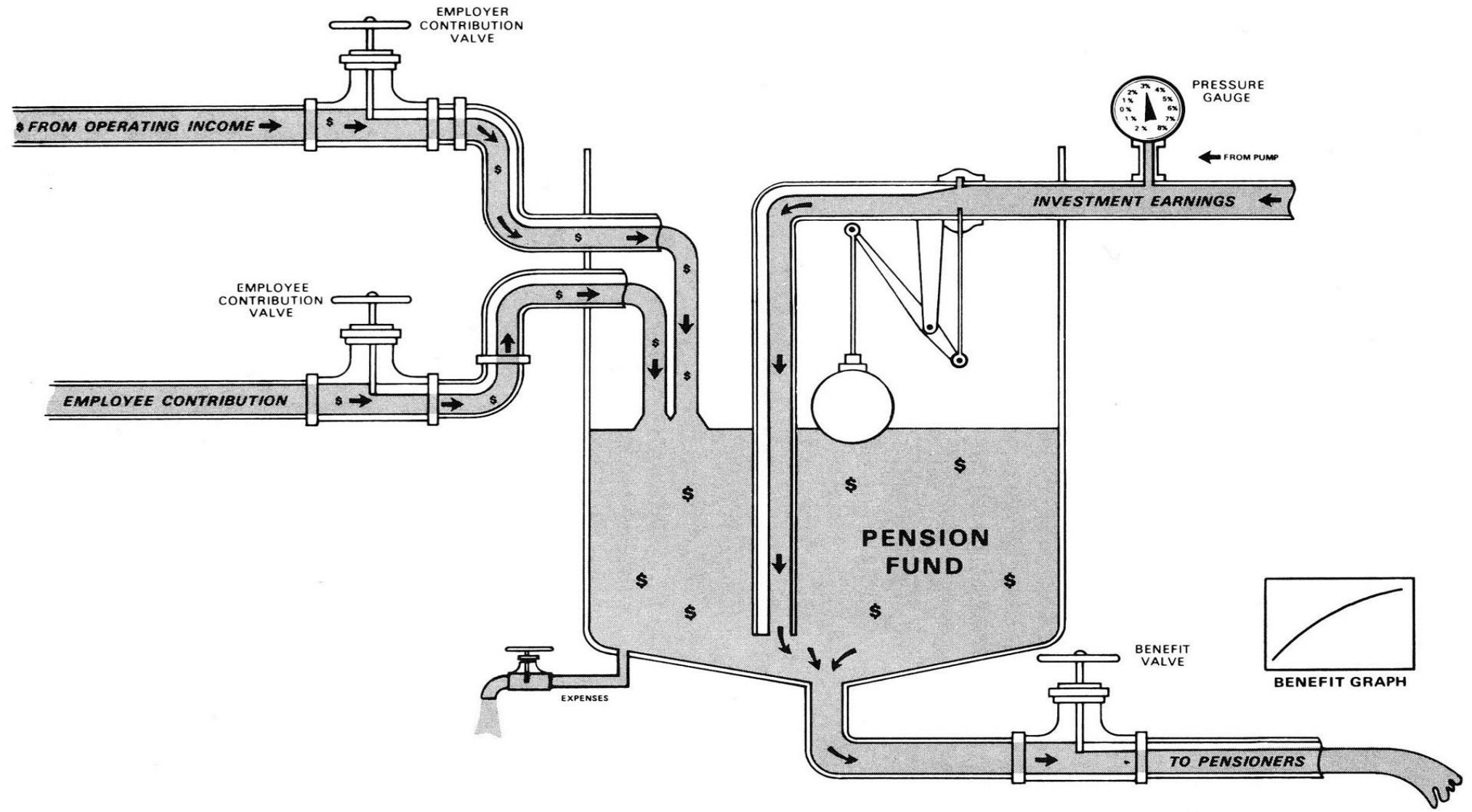
# **ACTUARIES HELP TRUSTEES KEEP PENSIONS FLOWING**

Mark Meyer, FPPTA Education Committee

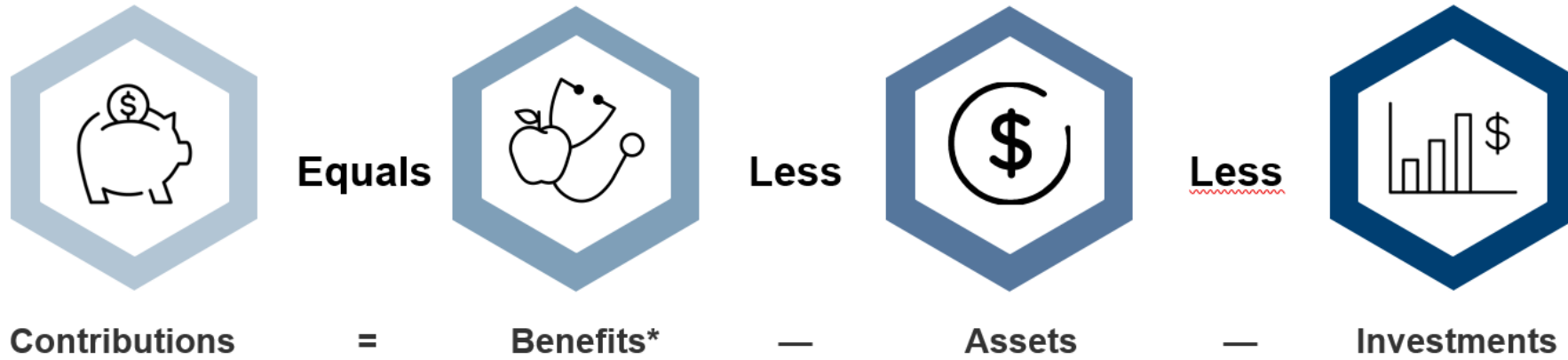
# FILLING THE PENSION FUND TANK WHILE THE SPIGOT IS OPEN



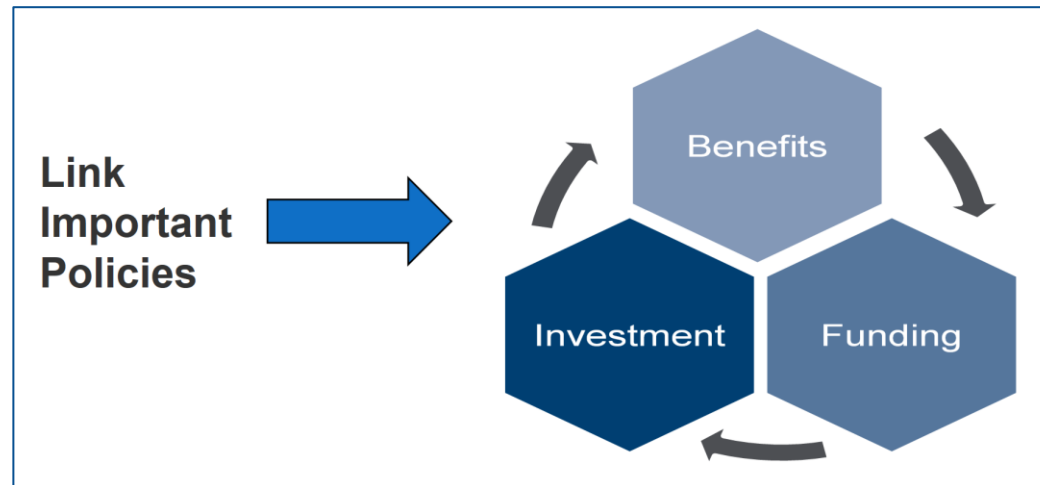
# Pension Funding

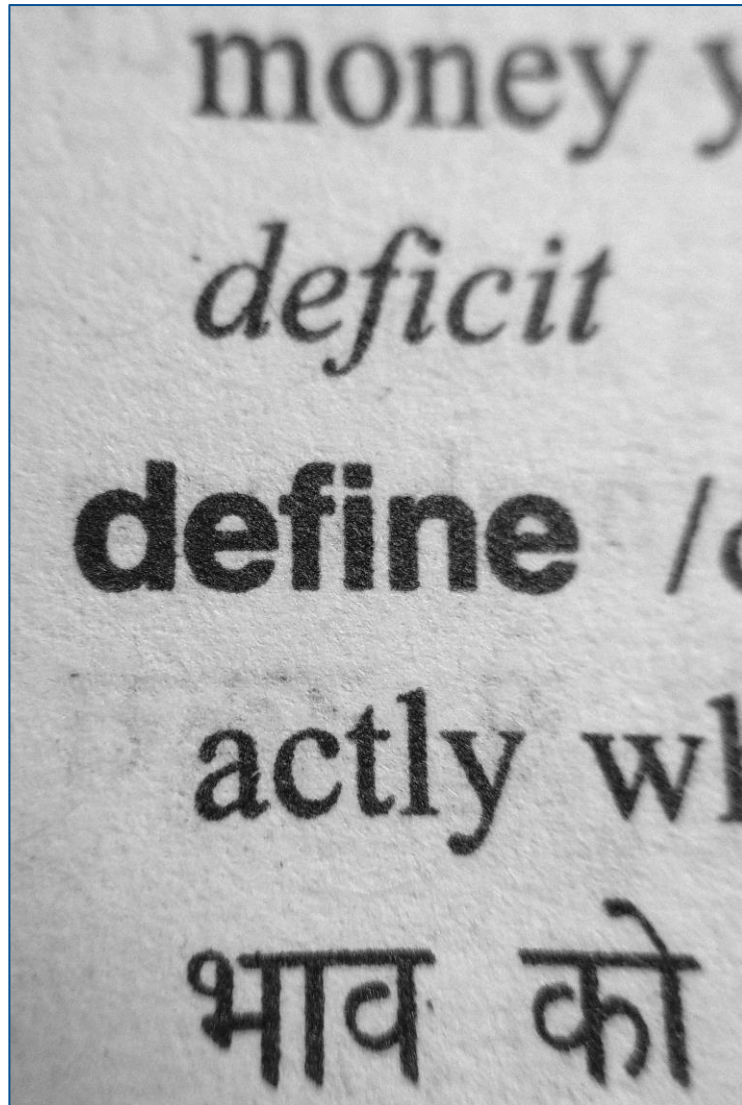


# PENSION FUNDING EQUATION



*\*Benefits includes administrative and investment expenses of maintaining a pension plan*





## KEY TERMINOLOGY

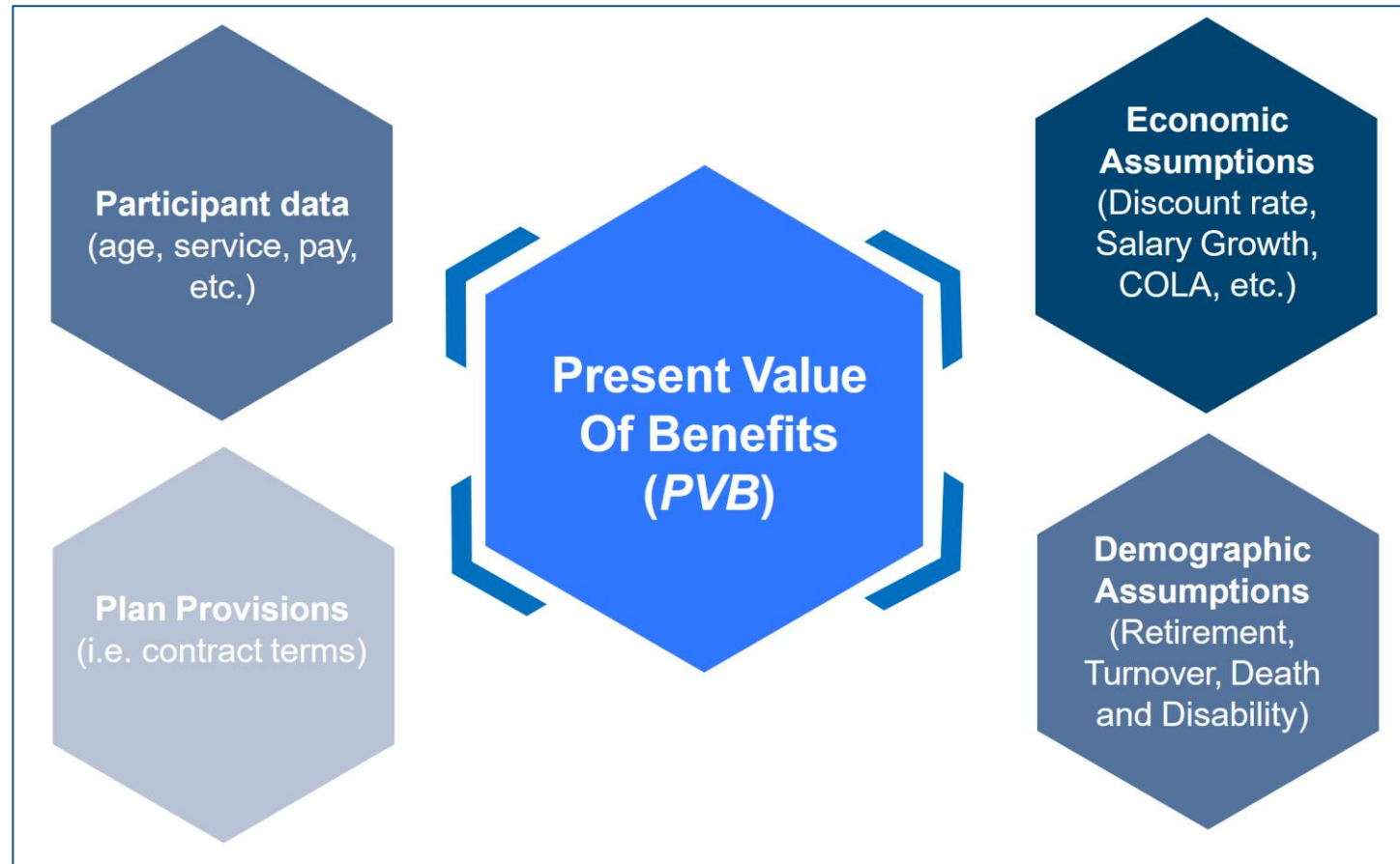
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- Present Value of Benefits (PVB)
- Actuarial Accrued Liability (AAL)
- Present Value of Future Normal Cost (PVNC)
- Actuarially Determined Contribution (ADC)



# PRESENT VALUE OF BENEFITS (PVB)

The **Present Value of Benefits (PVB)** is the total projected liability or “promise” for all participants, assuming all assumptions are met.

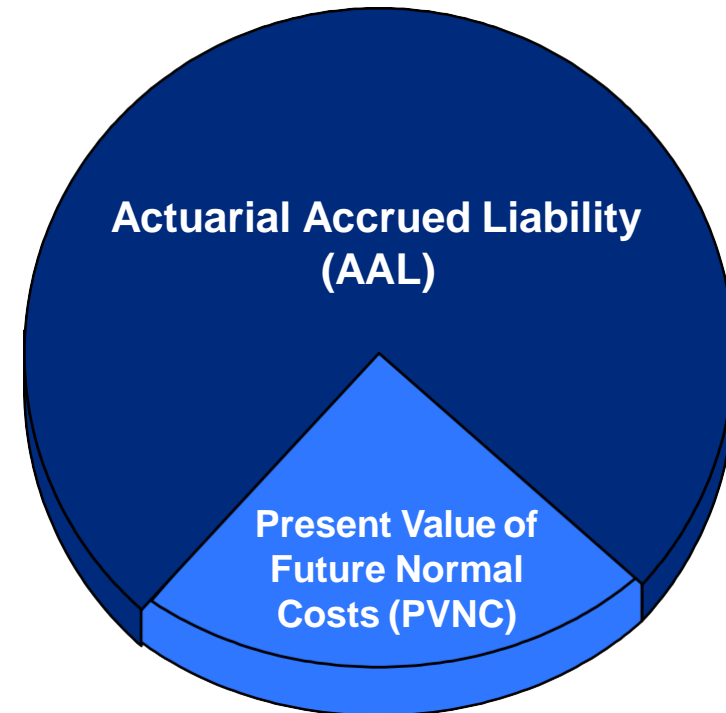


# ACTUARIAL COST METHOD

The **Actuarial Cost Method** is a mechanism to allocate the present value of benefits (PVB) to time periods (i.e. benefits related to past service vs. future service).

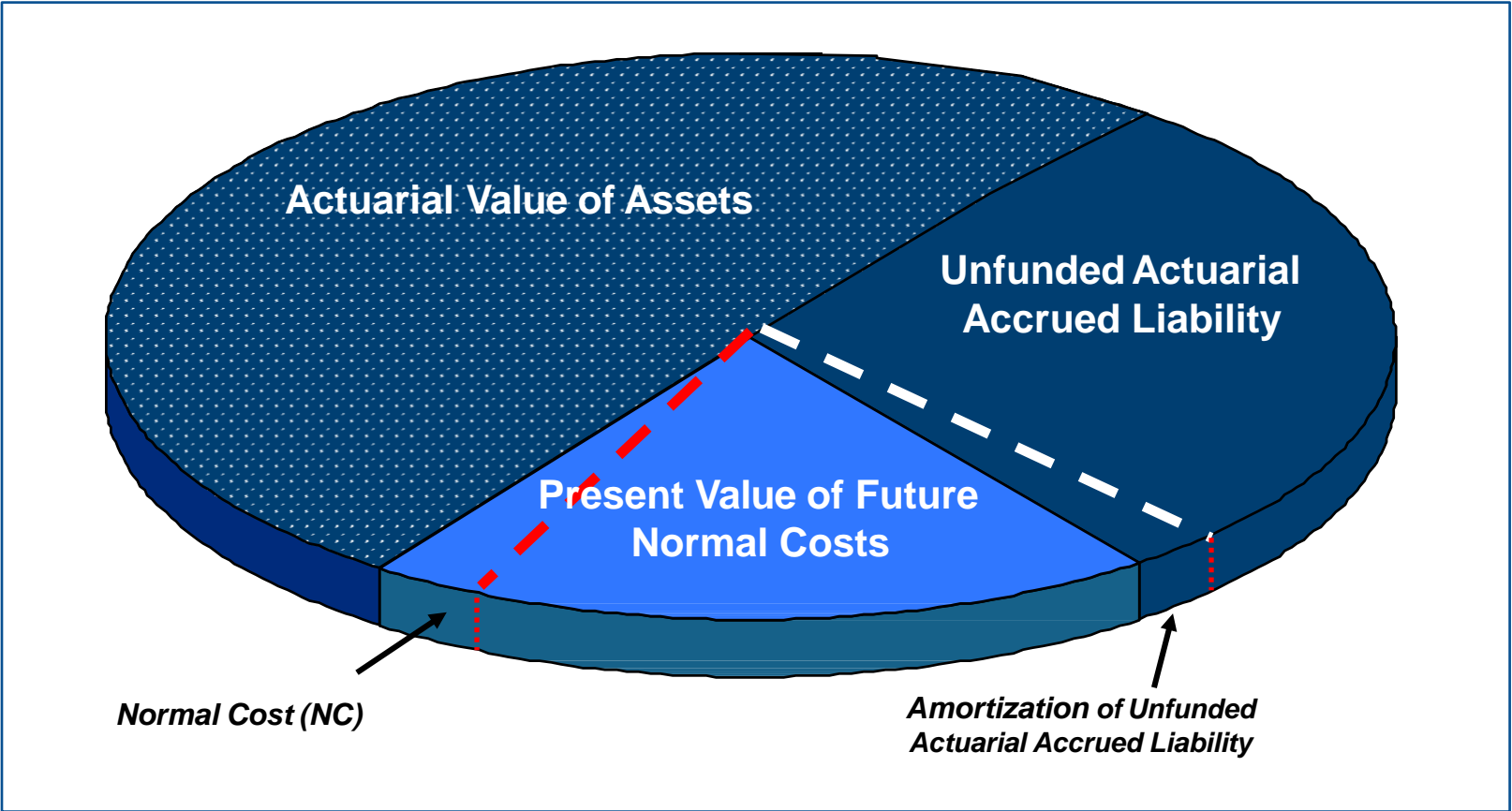
- The **Present Value of Future Normal Cost (PVNC)** is the portion of the PVB *attributable to future service*.
- The **Actuarial Accrued Liability (AAL)** is the portion of the PVB *attributable to past service*.

$$PVB = AAL + PVNC$$



# ACTUARIALY DETERMINED CONTRIBUTION

Actuarially Determined Contributions = Normal Cost + Amortization  
(i.e., payment toward Unfunded Actuarial Accrued Liability)







# Important Considerations

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It takes many years for actuaries to learn their profession, so don't be frustrated if it doesn't make sense after this first introduction.

Ask your actuary questions to learn what is important and have it explained in ways that you can understand and explain to others.