

Understanding Actuarial Valuations and their Impact

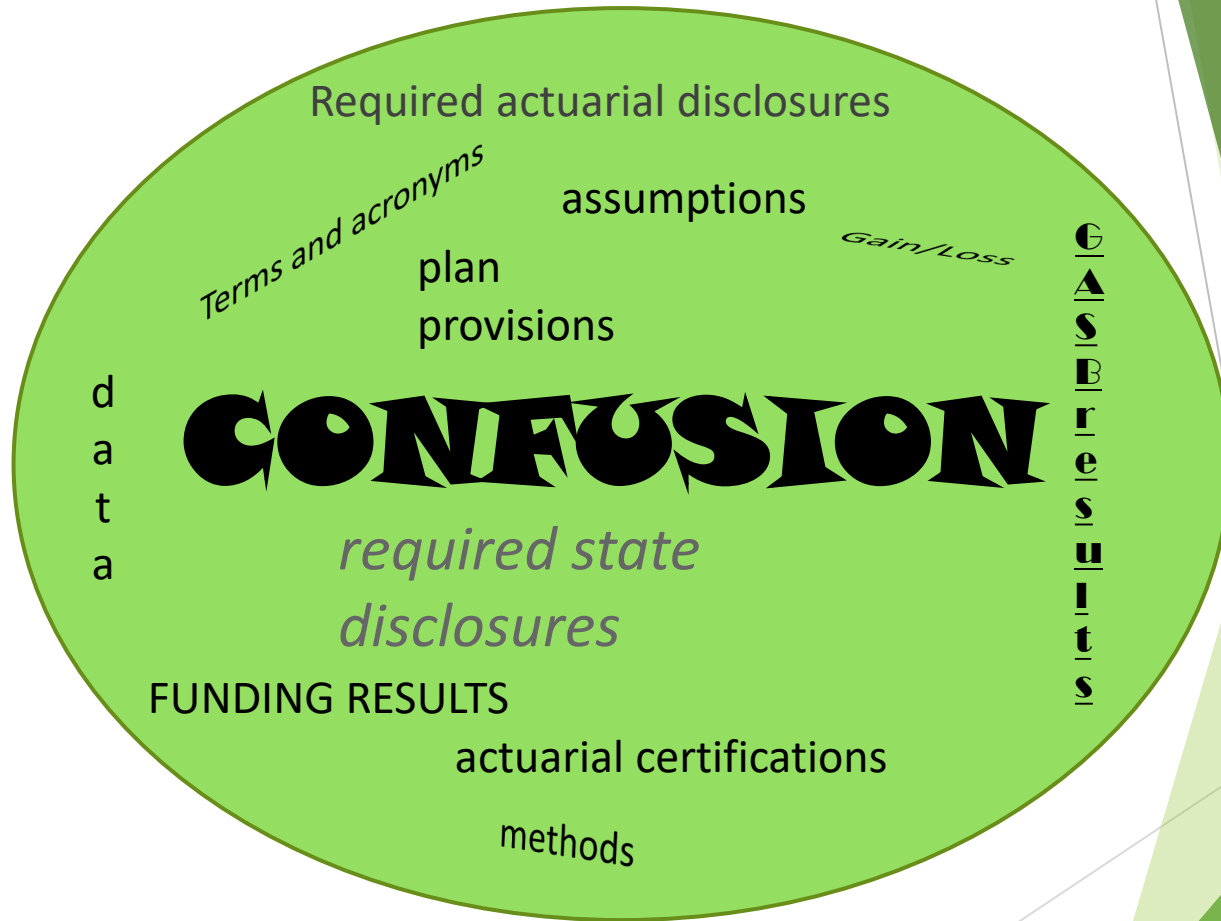
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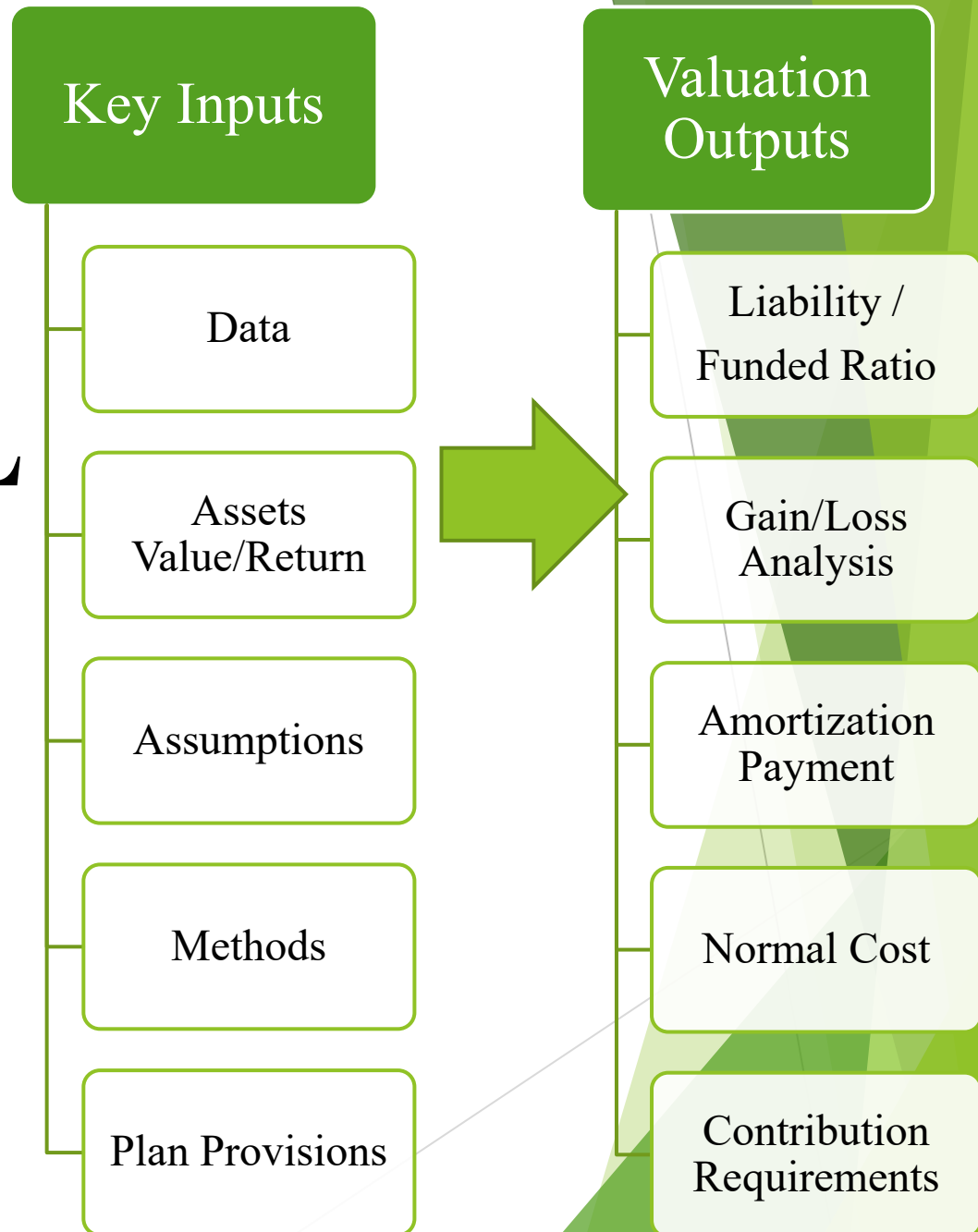


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ACTUARIES AND CONSULTANTS

WHAT DOES AN ACTUARIAL VALUATION PRODUCE?



ACTUARIAL VALUATION PIPELINE



DATA

- Data requested shortly after the fiscal year end
- Lots of data checks!
 - Changes in salary too high/low
 - Changes in dates of birth or dates of hire
 - Buybacks
 - Breaks in service

DATA

- Timing to finalize data significantly impacts the rest of the valuation process and ultimate delivery
- Could spend most of valuation process on data!

ASSET VALUES

- Compiled from financial statements provided by custodian and asset managers
- Alternative asset classes typically take longer to report
- Potentially delay actuarial valuation delivery – especially those typically presented in Q1 of fiscal year

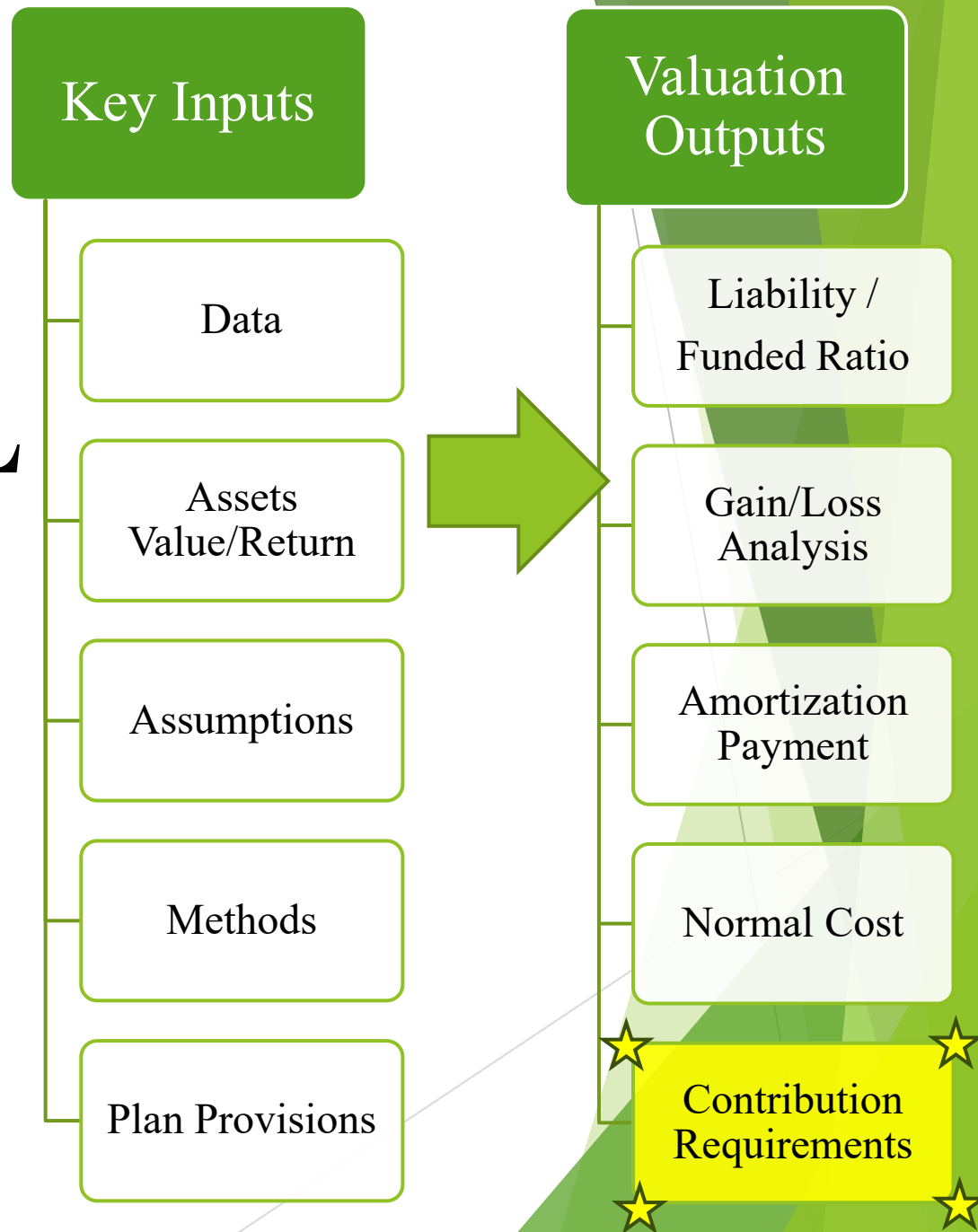
ASSUMPTIONS AND METHODS

- Typically known before working on the actuarial valuation
- Investment return assumption discussions can take place at any Board meeting
- Other actuarial assumptions and methods are typically changed following an experience study

PLAN PROVISIONS

- Typically known before working on the actuarial valuation
- Plan provisions are typically changed by ordinance
- Impact of plan changes determined with Actuarial Impact Statement

ACTUARIAL VALUATION PIPELINE



GOALS FOR ACTUARIAL VALUATIONS

- Prepared in accordance with Actuarial Standards of Practice
- Determine relatively stable sponsor contributions
- Approved at the State level

ACTUARIAL STANDARDS OF PRACTICE (ASOPs)

- The Actuarial Standards Board (ASB) is responsible for determining generally accepted actuarial principles
- The ASB issues guidance in the form of the ASOPs

ACTUARIAL STANDARDS OF PRACTICE (ASOP)

- The ASOPs provide a framework to be used in the completion of all actuarial work
- Identifies what the actuary should consider, document and disclose when performing actuarial assignments

IMPACT OF ASOPs ON ACTUARIAL VALUATIONS

- If Actuarial Standards Board updates an ASOP, the actuarial valuation must be updated to comply
- Potentially lengthier and more expensive actuarial valuations
- Most recent updates were ASOP 51 and ASOP 4

ASOPs

The following ASOPs are specific to pension valuations:

ASOP 4	Measuring Pension Obligations and Pension Plan Costs
ASOP 25	Credibility Procedures
ASOP 27	Selection of Economic Assumptions
ASOP 35	Selection of Demographic Assumptions
ASOP 44	Selection and Use of Asset Valuation Methods
ASOP 51	Assessment and Disclosure of Risk

ACTUARIAL VALUATION

TIMING

- Required by FL statute once every 3 years
- *Most* are done annually
- Annual actuarial valuations help prevent volatility in sponsor contributions

APPROVAL PROCESS

- Actuary presents actuarial valuation at Board meeting
- If not approved (rare), Actuary revises valuation to present at next Board meeting
- If approved, Actuary sends valuation to State
- State typically reviews on a triennial lookback period

APPROVAL PROCESS

- State may not approve for reasons such as unreasonable assumptions
- If State does not approve, case-by-case basis
- May have to revise past valuations, which would affect contribution requirements and sponsor's budgeting
- Anyone impacted?

Questions?

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