

The Actuarial Report

How to Read and Understand

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FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

What is the role of your Actuary?

1. Annual Actuarial Valuation of the Pension Plan
 - Develops Plan's Liability and Assets
 - Determines the Annual Required Contribution
2. Disclosure Information Required under FS 112.664
3. Valuation in Accordance with GASB 67/68
4. Benefit Calculations and Annual Benefit Statements
5. Special Studies (e.g., Experience Studies, Forecasts, etc.)

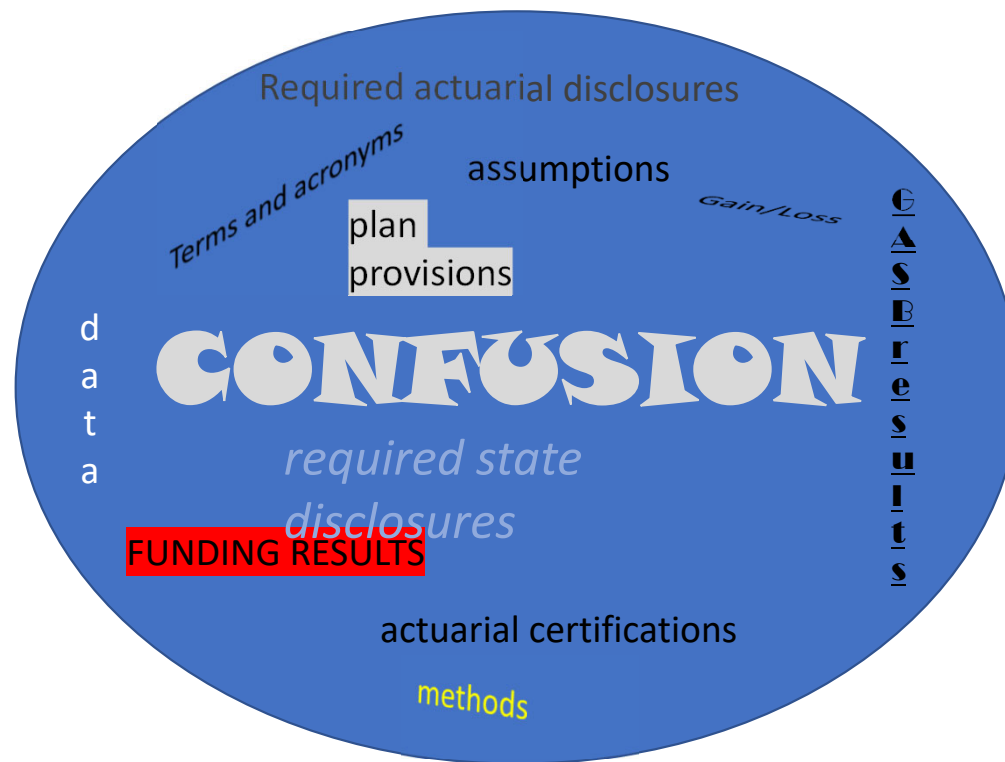
Overview

Actuarial reports include valuation results plus a lot of required information:

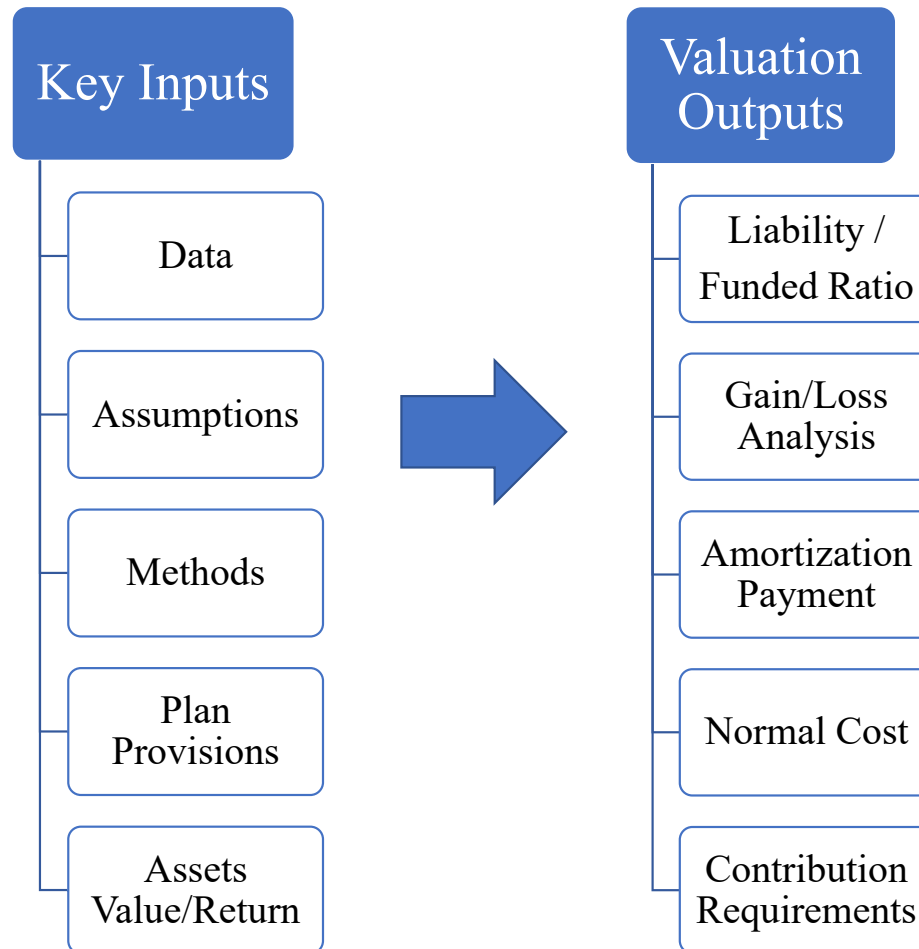
- Disclosures provided by the Actuarial Standards of Practice
 - ASOP 41 devoted to actuarial communications
- Disclosures required by State laws
 - Vary greatly from State to State
- Accounting under GASB
 - Use different terminology (e.g., fiduciary net position = market value of assets)

The Report Jumble

Lots of Requirements + Unfamiliar Content = Confusion



Sorting it Out – Focus on the Basics



Reading the Report

Focus on Key Results and Inputs

- Key Results should be summarized, usually beginning of report, followed by further breakdown and details
- Key Inputs usually have sections devoted to them, such as assets, data, assumptions, methods and plan provisions

Sample Report

Key Valuation Result:

Written Summarized Results (p. 5)

- Contribution Requirements
- Plan Experience

Sample Report

Key Valuation Result:

Summary of Results (p. 9 - 11)

- Liabilities
- Normal Cost
- Unfunded Actuarial Accrued Liability (UAAL)
- Funded Ratio

Sample Report

Key Valuation Result:

Contribution Requirements (p. 12)

- Normal Cost
- Administrative Expenses
- UAAL Payment

Sample Report

Key Valuation Results:

Amortization Schedule (p. 15)

- UAAL Reconciliation
- UAAL Amortizations

Gain and Loss Analysis (p. 16)

- Summary of (Gains) and Losses by component

Sample Report

Key Valuation Inputs:

Actuarial Assumptions and Methods (p. 17 - 19)

Assets (p. 24 - 29)

- Two asset values:
 - Market Value of Assets
 - Actuarial Value of Assets

Sample Report

Key Valuation Inputs:

Overview of Member Data (p. 30 - 32)

- Counts
- Income
- Reconciliation

Plan Provisions (p. 33 – 37)

Summary of Key Ideas

Focus on summarized results followed by review of details as needed. Recommend always reviewing:

- Details of gains and losses
- Changes of assumptions and methods (ASOPs require disclosure of any changes and basic reason for changes)
- Member data (pay attention to headcounts, average ages and salaries for reasonability)
- Assets, including the difference between actuarial and market values

Other Actuarial Reports

1. GASB 67/68 Reports
 - Accounting disclosures
 - Sometimes included with valuation report
2. Experience Studies
 - Typically performed every 5 years
 - Compare plan experience to assumptions
 - Recommend assumption changes
 - Provide actuarial impact on liabilities and contributions

Other Actuarial Reports

3. Actuarial Impact Statements

- Required by State Law
- Assess the impact of benefit changes to Pension Plan
- Ordinance or Statutorily (e.g., cancer presumption)
- Provide actuarial impact on liabilities and contributions

Other Actuarial Reports

4. FS 112.664 Disclosures
 - Required by State Law
 - Hypothetical contributions and liabilities under pessimistic scenarios
5. Financial Forecasting
 - Project contributions and liabilities under different scenarios, such as:
 - Varying investment returns
 - Additional contributions