



AMERICAN ACADEMY
of ACTUARIES

NEWS RELEASE

Immediate Release

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Actuaries Comment on Public Pension Plan Disclosures

WASHINGTON – 13 Dec. 2010 – The **American Academy of Actuaries** emphasized today the importance of meaningful and consistent disclosures by state and local government pension plans. With the Dec. 2 introduction of the Public Employee Pension Transparency Act by Rep. Devin Nunes, the Academy offered context for evaluating the pension disclosures included in that legislation or that may be included in any other disclosure proposals.

The legislation would require the sponsors of state and local government pension plans to report annually:

- The current value of plan assets and liabilities
- The projected values of such plan assets and liabilities over the next 20 years under the plan sponsor's funding policy
- The degree to which the plan sponsor's funding policy is expected to eliminate any unfunded current liabilities
- The extent to which the plan sponsor has been funding its plan according to its funding policy

“The funded status of state and local government-sponsored pension plans is a major concern of the approximately 20 million workers, retirees and family members who are the beneficiaries of those plans, as well as the current and future taxpayers and recipients of public services who share in the financial obligation to provide those benefits,” said **Mary Frances Miller**, president of the Academy, which has been actively examining public pension plan disclosures. “Public confidence in these retirement systems starts with the availability of consistently disclosed financial information on plan assets and obligations and system risks. And as government entities pursue comprehensive solutions to their financial challenges, they need clear and relevant information that will help them manage the risks associated with their pension plans.”

The actuarial profession led a public dialogue and focused examination of pension plan disclosures during a roundtable at New York University in February 2008 and, later that year, the Academy held open hearings on the subject during a forum in Washington.

(more)

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“Following these two public events, the Academy’s Public Interest Committee concluded that it is in the public interest for retirement plans to disclose consistent measures of the economic value of plan assets and liabilities,” said **Thomas S. Terry**, chairperson of the American Academy of Actuaries Public Interest Committee. “The **Actuarial Standards Board** has been working since then to develop and adopt appropriate and relevant practice standards.”

A report, *Risk Management and Public Plan Retirement Systems*, completed by the Academy’s Public Plans Practices Task Force in October 2010, expanded on the foundational work that began two years ago. The report is available at: http://www.actuary.org/pdf/pension/PPPTF_Final_Report_c.pdf

“As a byproduct of the Academy’s consideration of disclosures in 2008, we decided to examine the criteria for disclosure from a comprehensive risk management perspective,” said **David K. Sandberg**, president-elect of the Academy and chairperson of the Academy’s Public Pension Plan Task Force. “Pension plans must manage their risks. Prudent operation of such plans requires a disciplined framework of risk evaluation, management and reporting as an important facet of successful plan management.”

Sandberg said that while actuaries and others can debate the details of the bill, enhanced disclosures are an important part of a disciplined risk management framework that the task force described in its report.

“Although the Academy is not addressing the specifics of this particular bill, we want to emphasize the importance of reporting meaningful and consistent information that can help policymakers and the public better understand pension obligations and risks.”

For more information or to arrange an interview, contact Andrew Simonelli, assistant director of communications for the American Academy of Actuaries, at 202.785.7872. For more information on the Academy, please visit: www.actuary.org.

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public on behalf of the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.