NEWS RELEASE

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Actuaries: Using MAP-21 Discount Rates for Reporting Pension Obligations Can Be a Map to Misinformation

WASHINGTON – The American Academy of Actuaries is cautioning that a change to accounting rules requested by some members of Congress could produce less useful reporting of pension obligations.

In a Jan. 8 letter, Academy Senior Pension Fellow Donald Fuerst urges that “[f]inancial reporting of pension information should remain consistent with FASB’s Conceptual Framework,” and warns against modifying Generally Accepted Accounting Principles (GAAP) to be consistent with 25-year average interest rates.

In September 2013, 69 members of Congress sent a letter to the U.S. Securities and Exchange Commission and the Financial Accounting Standards Board requesting the modification to GAAP.

The Academy’s letter states that using 25-year average interest rates would not provide a meaningful measure of pension obligations for reporting purposes. Congress, the letter notes, created these average rates within the Moving Ahead for Progress in the 21st Century Act (Public Law 112-141) as part of a plan to stabilize pension contributions. Congress also recognized limits on the usefulness of these rates “and therefore required disclosure to participants on both a stabilized and pre-stabilized basis,” the Academy says. The Academy told MAP-21 conferees in 2012, when the 25-year rates were being developed, that the rates “are insufficient to settle obligations or fund obligations with a low risk portfolio and do not provide meaningful information about the current funded status of the plan.”

Learn more about measuring pension obligations in the Academy’s issue brief, “Measuring Pension Obligations,” at www.actuary.org.

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1-9-14 – MAP-21 DISCOUNT RATES CAN BE A MAP TO MISINFORMATION

The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and 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.

**Media Only:** To set up an interview with Senior Pension Fellow Donald Fuerst, contact Assistant Director of Communications, Public Affairs, David Mendes at mendes@actuary.org or 202.384.2075.