Pension Views Sought on Cost Methods and Liability Measurement

The Pension Committee of the Actuarial Standards Board is seeking comments from pension practitioners. The committee is developing a new actuarial standard of practice on actuarial cost methods and measurement of actuarial liabilities. Responses to the following questions, as well other related comments, would be greatly appreciated.

• The committee has tentatively concluded that the standard should set forth principles that apply to selection of actuarial cost methods, but not define or list the specific methods that are acceptable. Do you agree with this approach? If so, do you still feel that any specific methods should be banned entirely (e.g., pay-as-you-go)?

• Which underlying principles should apply in selecting an actuarial cost method?

• Should the standard set forth a step-by-step process in selecting or validating a cost method?

• Have you observed practices that you believe should not be acceptable under the standard?

• Do you favor a requirement to disclose expected contribution or cost patterns under certain circumstances? Possible events that could trigger the disclosure requirement include introduction or change of a method, reasonable belief that significant future increases will be revealed, or pattern sensitivity to actuarial experience.

• Do you favor a requirement to disclose funding progress relative to a standard liability measure such as plan termination liability? If yes, what should be the liability measure, how often or under what circumstances should disclosure be required, and how specific should be the standard of liability determination?

• Should the actuary be required to demonstrate the impact of various plausible events on plan funding and the plan’s funded status? Examples of such events include plant closings, expected future benefit increases, and indexation of Internal Revenue Code limits. Should such demonstration be made periodically or merely under certain circumstances?

Send responses and comments by e-mail to 75703,475@compuserve.com or to

Pension Funding Methods and Liability Measures
Actuarial Standards Board Pension Committee
1100 Seventeenth Street, NW, 7th Floor
Washington, DC 20036

AERF Award

Would you like recognition for your research? The Actuarial Education and Research Fund is seeking submissions for its annual Practitioners Award from actuaries who do not work for academic institutions. Submissions need not be formal papers and will be judged partially on the basis of practical application. Submit your entry before June 2 to AERF Executive Director Curtis Huntington at 475 N. Martingale Road, Suite 800, Schaumburg, IL 60173-2226.

See You in Scottsdale

The 1997 Academy Annual Meeting will be October 6 at The Phoenician in Scottsdale, Arizona, in conjunction with the Conference of Consulting Actuaries. At the meeting, Allan Kaufman will take over as Academy president, new life and pension vice presidents will be announced, and new regular board members elected. The Academy Health, Life, and Pension Practice Councils will present sessions on their 1997 projects and work in progress on key issues, and the Council on Professionalism will hold a mock disciplinary hearing. A prominent Washington political figure, to be announced, joins us for the Academy Luncheon address. Academy members who are not Conference members are encouraged to participate. All Academy members will receive registration material later this spring. For more information, contact Keith Stewart of the Conference at 847-419-9090.

Disciplinary Notice

The Academy's Discipline Committee, acting in accordance with the Academy's bylaws and under recommendation of the Actuarial Board for Counseling and Discipline, has expelled Larry D. Coate from membership in the Academy. The 45-day period for Mr. Coate to appeal the decision of the Discipline Committee to the Academy's Board of Directors has expired without any communication from Mr. Coate.