

THE
PEW
CHARITABLE TRUSTS

**Public Pension
Funding Analyses
Following GASB
Changes: What Do
the Actuaries Say?**

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The Pew Charitable Trusts
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PRESENTATION TODAY

- Introduction
- Donald E. Fuerst, MAAA, FSA, EA
- S. Kai Petersen, FSA, CFA
- Discussion of GASB, funding policies and enhanced reporting



BACKGROUND

- The Government Accounting Standards Board (GASB) issued reporting requirements for pensions in 1986. Current standards were adopted in 1994.
- This was part of helping governments get their pension house in order, and included a clear target for funding – the Annual Required Contribution, or “ARC”.
- For many years, experts “debated” how all of the pension calculations should be done. Actuaries vs. Economists*
- Reporting on pensions has received more attention (Securities and Exchange Commission, proposed PEPTA legislation at federal level, etc.)

*See for example, “**Public Pension Showdown: Actuaries vs. Economists**”

http://www.advisorperspectives.com/newsletters10/Public_Pension_Showdown-Actuaries_versus_Economists.php

WHAT DOES NEW GASB DO?

- Changes how pension liabilities are calculated and reported
- Removes the ARC funding calculation for accounting
- Requires supplementary information, including 10 year projections
- Effective in two parts: June 2013 (GASB 67) and June 2014 (GASB 68)

WHAT DOES IT MEAN?

- Increase in Reported Pension Liabilities
 - Some stakeholders concerned
 - Most experts view this as “priced in” (already available)
- Removal of Funding Calculations
 - Some fiscal experts concerned, others see opportunity
- Provides more information on projections
- **What New GASB DOES NOT do may be more important. Is this a challenge or an opportunity?**

FUNDING POLICIES AND ENHANCED REPORTING

- Funding policies matter
 - Actuarial basis
 - Paying the ARC
 - Lessons learned from the 2000's
- Enhanced Reporting
 - Sensitivity and scenario analysis
 - Planning for uncertainty

WHERE DO FUNDING AND REPORTING POLICIES FIT IT?

Pension Policy Building Blocks

Funding	Investment Practices	Governance	Benefit Plan Design	Workers' Attitudes/ Preferences
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Principles of Good Plan Design

Fiscal Sustainability

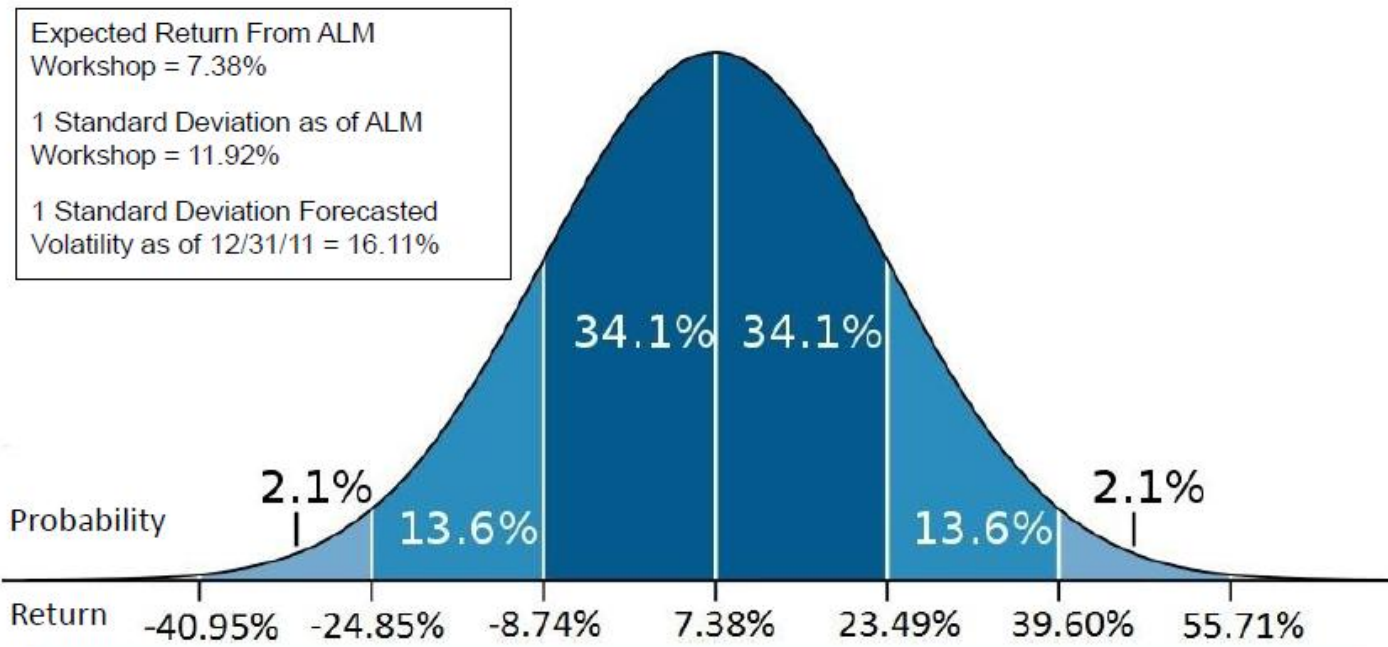
Secure Retirement

Policymaker Tools

Policy Briefs	Analytic Framework	Task Force Roadmap
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WHAT IS THIS ALL ABOUT?

Forecasted Distribution of Expected Return



Source: CALPERS Investment Risk Analysis, March 2012



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