

# ACTUARIES AND PENSIONS SUPERVISION: ASSESSMENT OF VALUATION REPORTS

TWIN PEAKS - INTRODUCTORY TRAINING COURSE  
BANK OF JAMAICA  
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# AGENDA

READING VALUATION REPORTS

CHECKING COMPLIANCE

INTERPRETING REPORTS

QUESTIONS FOR THE ACTUARY

ACTIONS ARISING FROM

ASSESSMENT OF THE REPORT

## PRE-ASSESSMENT QUESTION

2. The calculations in an actuarial valuation rely upon several assumptions such as mortality rates, interest rates and salary escalation. Which of the following is true?
  - A. The choice of assumptions depends upon the purpose of the valuation.
  - B. The assumptions are prescribed by the supervisor.
  - C. Selection of the assumptions used to value the liabilities should be independent of the assumptions used for the assets.
  - D. Actuaries should ensure that the assumptions are approved by the plan sponsor.



# READING VALUATION REPORTS

Things you should look for:

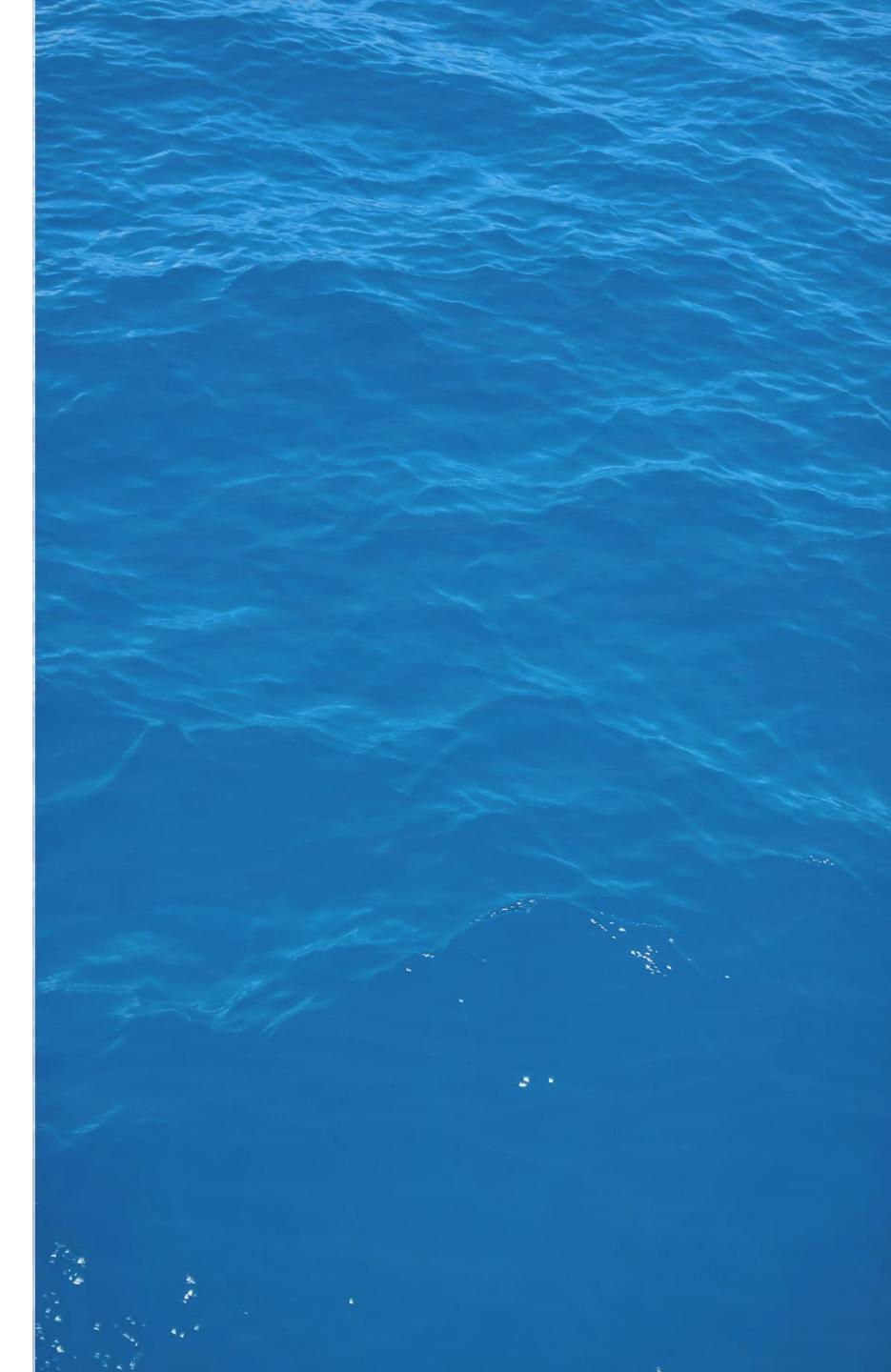
- Purpose of the valuation
- Applicable regulations
- Actuarial Statement of Opinion
- Adherence to Standards of Practice
- Information relied upon for the valuation

## PRE-ASSESSMENT QUESTION

9. Pension plan valuations rely upon member data provided by the plan administrator. Which of the following is true?
  - A. The actuary is responsible for correcting all issues in the data used for the valuation.
  - B. The actuary must comment in the report on the suitability of the data for the valuation.
  - C. The valuation cannot be completed if there are errors in the data.
  - D. Missing data items can be resolved by excluding any records with missing items.

## CHECKING COMPLIANCE

- Compliance with what?
- You will need to know what the regulatory and professional requirements are for the valuation
- The actuary should sign the report, indicate which actuarial body or bodies they belong to, and state if their report is in compliance or qualified



## PRE-ASSESSMENT QUESTION

4. In some circumstances an actuary's work may be subject to peer review. Which of the following is true?
  - A. If they use the same data as the actuary, the peer reviewer will get the same results.
  - B. The peer reviewer can be a close friend of the actuary.
  - C. The plan sponsor may choose which set of results to report.
  - D. The actuary will be expected to revise their results to be consistent with the peer reviewer's.



## INTERPRETING REPORTS

- Read the summary!
- Look for comments on any key changes since the last valuation, and examine those items
- Compare those items with the prior valuation results
- Check if the actuary's comments are consistent with what you see

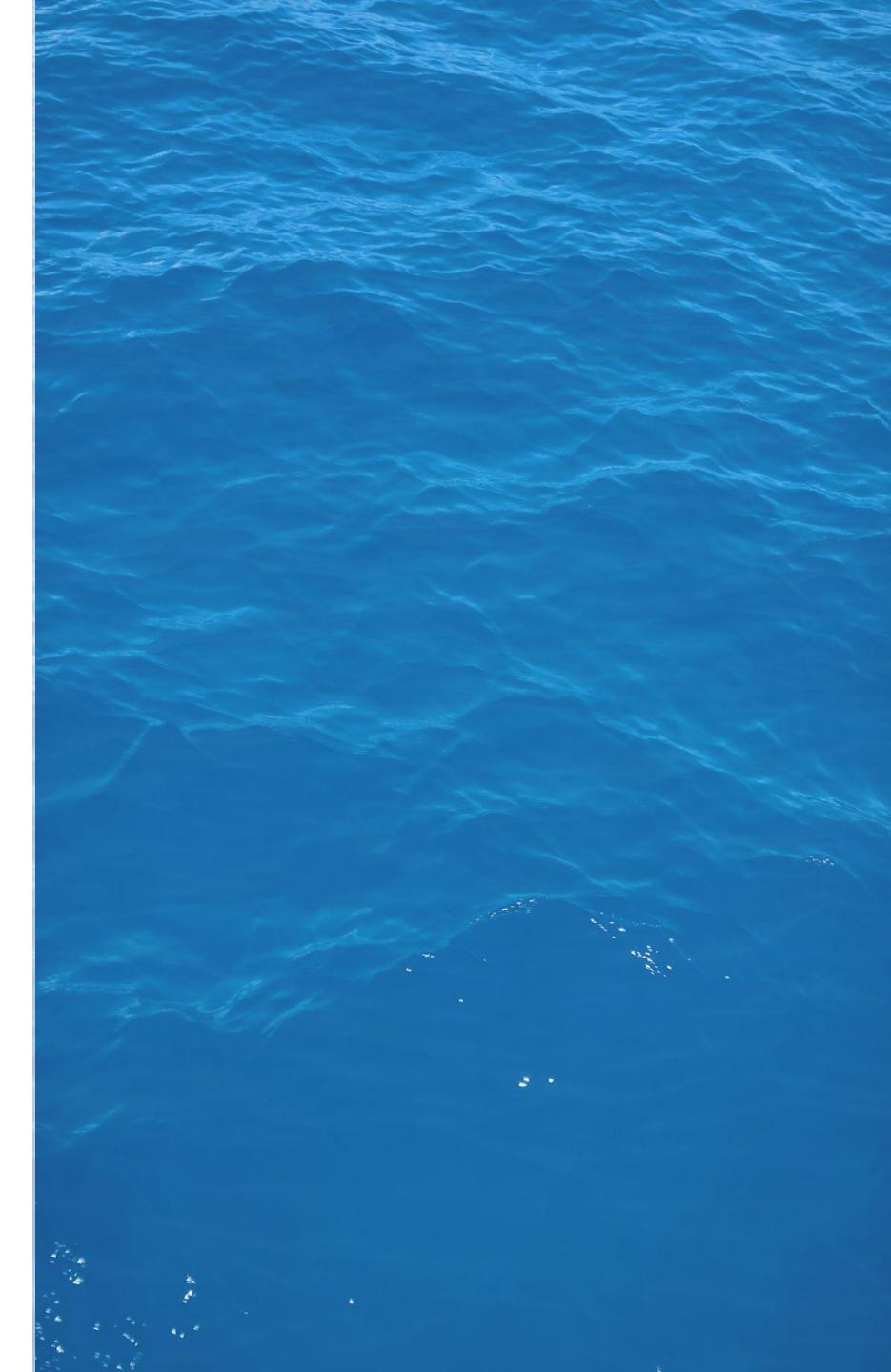


## QUESTIONS FOR THE ACTUARY

- If their opinion is qualified, ask about the reason, and the impact!
- Ask about any items that you expected but didn't see
- If the actuary is unwilling or unable to answer your questions – red flag
- Press them to answer, and remind them of their professional responsibility to do so

## RECOMMENDED ACTION

- Some actions will be indicated by the regulations – those are clear
- Other actions may be indicated by the actuary's responses (or not) to queries
- If you aren't satisfied with the actuary's responses seek guidance from someone with enough actuarial knowledge and experience





# GLASTONBURY

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## Pension Valuations

Milliman performs an actuarial valuation of the Town of Glastonbury's Plan as of July 1st each year to determine funding for the next fiscal year. The Pension Valuation report presents the results of their valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this Pension Valuation report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations.

# QUESTIONS?

