

# Measuring Public Pension Plan Liabilities

## Introduction

By Andrew Peterson, SOA Staff Fellow, Retirement Systems

Over the past few years, the topic of how to measure public pension plan liabilities appropriately has been discussed widely by actuaries and others working with public sector pension plans in the United States. The crux of the debate is whether public sector pension plans should disclose a market value of liability (MVL) or whether current disclosures, based on expected rates of return reflecting current asset allocations, are appropriate. There are unique aspects to these plans that differ from private sector plans when it comes to stakeholders, purposes of disclosure and other related topics. How many of these differences are relevant to the measurement discussions is part of the debate.

To advance the discussion and stimulate further thought, the Society of Actuaries Pension Section Council issued a call for papers in the summer of 2008 seeking a wide variety of perspectives on the issue of public pension plan finance. The call for papers, sponsored by the Pension Section Council, was coordinated by volunteers from the Joint SOA/AAA Pension Finance Taskforce and the Pension Section's Research Committee. As a result of the call for papers, about 20 papers were submitted.

In May 2009, the SOA sponsored an event in Chicago entitled, Public Pension Finance Symposium, which included a number of presentations and papers presenting a range of views on the measurement of pension liabilities and risk management issues related to public sector pension plans. As expected, there were some lively discussions that occurred given the topic.

An overview (<http://www.soa.org/library/newsletters/pension-section-news/2009/december/psn-2009-iss71-lowman.aspx>) of the symposium was provided by Tom Lowman in an article written for the December 2009 edition of the *Pension Section News*. It includes a personal review of the symposium and a brief summary of all the sessions.

The symposium provided an opportunity for experts and innovators in the area of public pension finance to share their views. We hope you take away some interesting and thought-provoking information from the papers and comments presented in this monograph.