
How to improve public pensions: SoA panel

By Kerry Pechter Thu, Feb 27, 2014

In April 2013, the Society of Actuaries commissioned the SOA Blue Ribbon Panel to address burning questions about public pension funding. The results of the Panel's work were published last week.

Public pension experts issued recommendations this week outlining how plans could achieve fully funded status. The "Report of the Blue Ribbon Panel on Public Pension Plan Funding" recommended that public plans should:

- Improve their financial management, risk analysis and information by disclosing plan maturity, investment risks, stress tests, plan costs, and the ratio of contributions paid to the recommended contribution.
- Create a standardized contribution benchmark that would allow sponsors to measure the aggregate level of funding risk. This information should be disclosed in actuarial reports, said the panel in a press release. The standardized plan contribution would use a stipulated rate of investment return.
- Direct their actuaries to disclose the information mentioned above and be required to provide an opinion on the reasonableness of the assumptions and analysis in the funding plan.
- Implement strong governance practices. That includes the establishment of governance structures to support payment of recommended contributions. Additionally, plans should create a strong risk oversight function at the board level that would consider the cost and risks of proposed plan changes.

Members of the SoA panel were:

Bob Stein, FSA, MAAA, CPA, retired, former global managing partner of actuarial services of Ernst & Young; panel chair

Andrew G. Biggs, Resident Scholar, American Enterprise Institute; panel co-vice chair Douglas J. Elliott, Fellow, The Brookings Institution; panel co-vice chair

Bradley Belt, vice chairman, Orchard Global Capital Group and chairman of Palisades Capital Management; former CEO of the Pension Benefit Guaranty Corporation

Dana K. Bilyeu, former executive officer of the Public Employees' Retirement System of Nevada

David Crane, Stanford University, former special advisor to California Governor Arnold Schwarzenegger

Malcolm Hamilton, FSA, FCIA, retired, former partner with Mercer; Senior Fellow, C. D. Howe Institute

Laurence Msall, president, The Civic Federation, Chicago, Ill.

Mike Musuraca, managing director, Blue Wolf Capital Partners LLC; former designated trustee to the New York City Employees Retirement System

Bob North, FSA, FSPA, FCA, MAAA, EA, chief actuary, New York City Retirement Systems

Richard Ravitch, co-chair, State Budget Crisis Task Force; former lieutenant governor of the State of New York

Larry D. Zimpleman, FSA, MAAA, chairman, president and CEO, Principal Financial Group

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