

Legislative Commission on Pensions and Retirement

Investment Return Assumption Considerations

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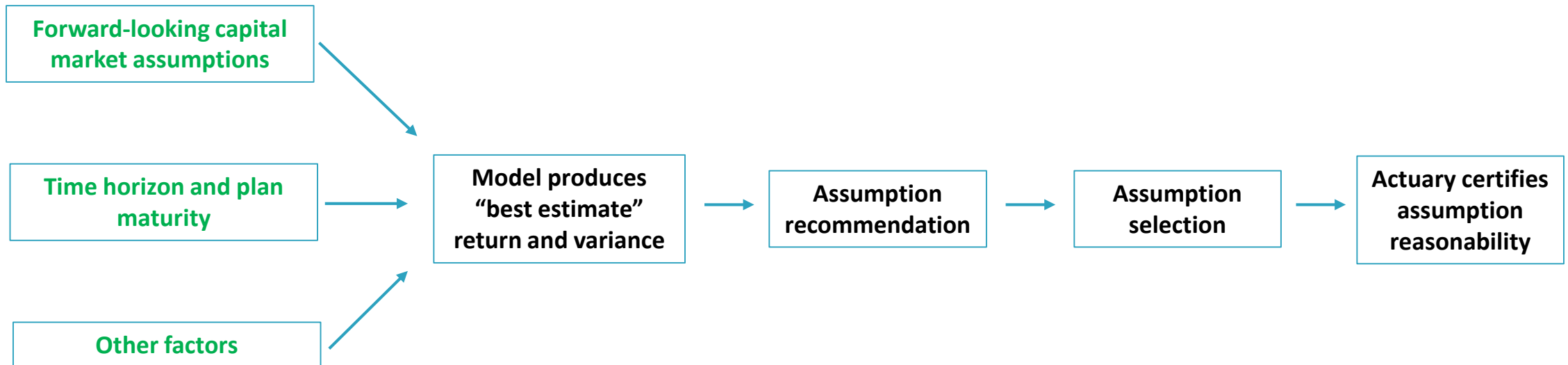
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What we're going to cover

1	Process for calculating assumption
2	Recommending and selecting assumption
3	Reasonability
4	Questions

Process for calculating assumption

- ▶ Want a well-documented and rational process for determining and selecting investment return assumption



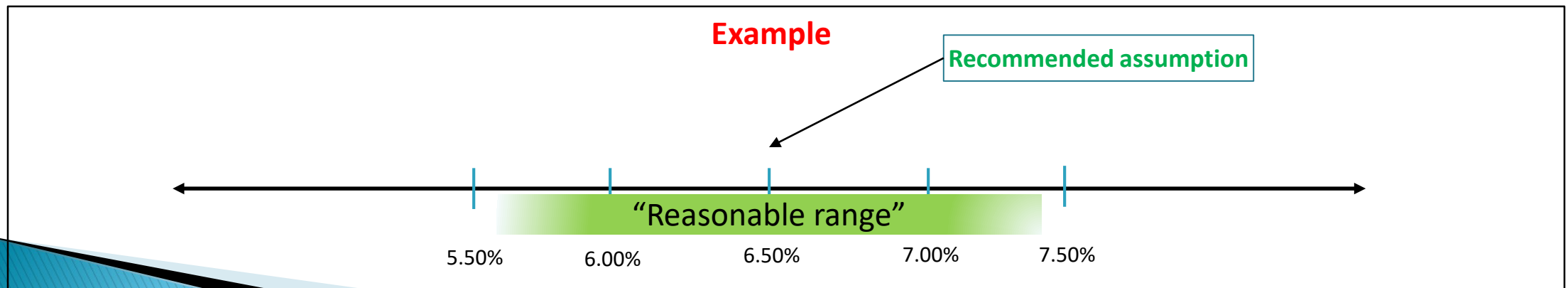
Recommending and selecting assumption

▶ Assumption recommendation

- Focus is on experts' "best-estimate"
- Median recommendation (i.e., long-run 50% likelihood of returns above or below)

▶ Selecting the assumption

- Who is responsible, and for what purpose (funding or accounting)?
- Justify selection if it doesn't agree with experts' recommendation
- Selection must be within actuary's "range of reasonableness" to avoid report disclaimer



Reasonability

- ▶ Actuary must attest whether assumption is reasonable (or not) at each valuation
- ▶ Opinions may differ, and that's ok
 - Different model inputs and processes
 - Professional judgement
- ▶ “Reasonability” becomes an issue when the experts’ recommendation is not selected

Questions



L/D/C/R: 4/emk/mws