

Checklist on APS 27

14th CIRB March 2018



WHY IS A CHECKLIST REQUIRED

- APS 27 is principles based
- A checklist would come handy as a tool to assist actuaries in ensuring internal compliance
- It is not a certificate of the Practicing Actuary's compliance with provisions of APS 27
- It is a ready reckoner and an aid to the actuaries; does not pose additional requirements on practitioners
- It mentions key aspects to be monitored that the AGPEBSS felt were important - there are other aspects as well which the Practicing Actuary needs to comply.

Four key dimensions covered



Data



Assumptions

• Monthly benefits are calculated using:

- Years of Service
- Age
- Highest Three Years of Salary (Average)



Plan provisions (Benefits Valued)



Methodology (Model)

SOME GENERAL ASPECTS

- The report/disclosure should talk of
 - Scope/Purpose of the report
 - Any relevant standard and departure from standard (if applicable)
 - Who the intended audience is
 - Usage by a third party
- Details of the investigation – valuation date, date of report ...

DATA

Data relevant to the investigation

Basic membership statistics (employees, total salaries)

Commentary on accuracy/reliability and sufficiency of data; any checks that have been applied

Details on assets (external, estimated by actuary, asset categories)

Information from third party

ASSUMPTIONS – KEY REASON FOR DIFFERENCES IN ACTUARIAL RESULTS

Input from client?

Any analysis/investigations carried out?

Have they changed from previous valuation? Any comments?

Need to be spelt out – different for different benefits

Commentary on sensitivity of results to assumptions

ASSUMPTIONS – GRATUITY VALUATIONS

Salary growth rate

Discount rate

Attrition rate

Mortality/Disability rates

ADDITIONAL ASSUMPTIONS – BENEFIT SPECIFIC

Leave: Future leave availment and rate of leave encashment during employment

Pension: Pension growth rate, DA merger, impact of mortality improvements

PRMB: Future medical cost inflation, method for average cost per beneficiary

Other Long term benefit: If commodity then current cost and assumption for future increase

REASONABLENESS OF ASSUMPTIONS

- Is it possible to comment given the limited information/resources?
- If actuarial judgement used, basis of judgement (leave availment)
- If discussed with the company, mention that the principles have been discussed
 - Company insists on its own set of assumptions?
- If no detailed investigations carried out, mention that

A SCENARIO

- Company has given a low salary increase in recent past
- Company/auditor want to use the same assumptions going forward
- Options
 - Just use what they want you to and be done with it!! No questions asked since THEY wanted those assumptions
 - Explain to them the importance of the assumptions but they INSIST that their assumptions are to be used (besides auditors have agreed!!) AND SO
 - Request that please don't make any explicit comment in the report so you don't mention
 - Explain to them the importance of the assumptions but they INSIST that their assumptions are to be used SO
 - You use the assumptions but put adequate commentary

PLAN PROVISIONS (BENEFITS VALUED)

Details on benefit payable on various events, salary definitions

Any changes since last valuation – PSC, curtailment/settlement

Discretionary benefits? How they play out in future?

Impact of legislation

PLAN PROVISIONS (BENEFITS VALUED) - SPECIFICS

Leave: encashment in service?, annual accrual rate and maximum accumulation,

Gratuity: Limit? Any grandfathering? Accrual rate? Vesting period?

PRMB: Contributions paid by the employees/beneficiaries

Pension: Restoration of commuted value, spouse pension

A SCENARIO

- Company pays a Gratuity more generous than the PG Act
- But for funding purposes uses the benefits as per the Act and give you the same information and you just go ahead with that
- However, some benefit payments indicate that the company actually has no ceiling on the benefit
- Options
 - Just tell them that you used what they gave!!
 - Give them sufficient information on the materiality of the impact and suggest a discussion with the auditor
 - They may want to treat this as a PSC
 - While doing the above also make them understand that you will indicate it NOT as a plan change but as an additional cost due to a different understanding of the report

METHODOLOGY (MODEL)

Actuarial method to assess liabilities

Methodology to value assets

Long Service award: Attribute benefit to past service

PRMB: Benefit applicable to spouse

Leave: Project leave utilization and encashment for future periods

THANK YOU