

Examination of Actuarial Assumptions used for the Calculation of the PBO

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The importance of PBO in the corporation-management-strategy has been increasing. In particular, actuarial assumptions of PBO play an important role in a current vastly dynamic environment.

Economic entities such as corporations face dynamic environment where they plan to implement M&A for its rapid economic growth or plan re-structuring with cut-down of labor force for the timely cost cut. From the point of cash flow projection of corporate pension system, these dynamics may not be measured appropriately in a current method as actuarial assumptions for the PBO calculation may not include the impact of these dynamics.

For example, about turnover rate and salary increase rate, currently we use single assumption even though we recognize the effectiveness of using several assumptions according to several different conditions. We assume that assumptions of PBO calculation should have been changed if conditions are changing. Followings are examples:

- Turnover rate: It may be distorted by the one time increase of the number of retirees by the cut-down due to re-structuring.
- Salary increase rate: Fluctuation of salary increase rate may be caused by M&A as several corporations are united into one corporation.

Thinking of the corporations' strategies, PBO calculation methods or the way of estimation of assumptions has to be developed to reflect real figure of the dynamic corporations.

We set up a model to examine problems and effects by comparing the results using single and several turnover rates and salary increase rates.

Keywords: Minute projection of cash flows, Three scenarios, Static pattern, Dynamic pattern