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Topic C. Actuarial Valuation Methods and Assumptions

The consideration of the characteristics of the pension liabilities and measurement methods

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Nowadays, the pension plans recognize several different liabilities for one plan, because the pension liabilities are evaluated with several standards, one for the accounting purpose and others for the funding regulations. Therefore, the implication of understanding the funding status or the result of the plan amendment decision will change due to the selection of the liability to focus in.

In this paper, we will sort out the characteristics of the pension liabilities, and suggest the conditions of the measurement methods (mainly how to determine the discount rates) to meet those characteristics. We will start with the review of the pension liabilities based on the accounting standards and the pension funding regulations in Japan, which covers the historical introductory process of those measurement rules with the detailed analysis.

Through these considerations about Japanese post-retirement plan, we hope to provide some suggestions which are useful for the future discussions about accounting standards for pension and post-retirement benefits.

Keywords: Accounting standards (Japan), Pension liability, Measurement method, Discount rates