

Document category : ISI Web of Science

Title : Impact of Actuarial Assumptions on Pension Costs A Simulation Analysis

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Abstract : This study investigates the sensitivity of pension costs to changes in the underlying assumptions of a hypothetical pension plan in order to gain a perspective on the relative importance of the various actuarial assumptions via a simulation analysis. Simulation analyses are used to examine the impact of actuarial assumptions on pension costs. There are two actuarial assumptions will be considered in this study which are mortality rates and interest rates. To calculate pension costs, Accrued Benefit Cost Method, constant amount (CA) modification, constant percentage of salary (CS) modification are used in the study. The mortality assumptions and the implied mortality experience of the plan can potentially have a significant impact on pension costs. While for interest rate assumptions, it is inversely related to the pension costs. Results of the study have important implications for analyst of pension costs.

Subject : pension costs; Accrued Benefit Cost Method; constant amount modification; constant percentage of salary modification

Type : Proceedings Paper

Conference : Proceedings Of The 20th National Symposium On Mathematical Sciences (Sksm20): Research In Mathematical Sciences: A Catalyst For Creativity And Innovation, Pts A And B

ISSN : 0094-243X

ISBN : 978-0-7354-1150-0

Publisher : Amer Inst Physics

Year issue : 2013

Language : English