

Comment #29 – 3/31/10 – 10:27 a.m.

Thank you for the opportunity to comment on the second exposure of proposed revisions to Actuarial Standard of Practice No. 41, *Actuarial Communications*, issued December 2009. My comments represent my personal opinions and do not necessarily reflect the views of my employer, nor of the ASB Pension Committee, on which I serve as Interim Chair.

I offer the following comments for your consideration:

Sections 3.3.4, “Responsibility for Assumptions and Methods,” and 4.2, “Certain Assumptions and Methods Prescribed by Law”:

In Appendix 2, in the first Comment and Response under section 4.3, the reviewers indicated their intention to make the language in this section consistent with the requirements found in ASOP No. 4. The language in the second exposure draft largely achieves this objective, with one exception. Take the case of assumptions selected by a plan sponsor pursuant to accounting standards. I believe the intention is, and should be, for this situation to fall under sections 3.3.4.b and 4.3 (rather than sections 3.3.4.a and 4.2). However, there could be confusion on this point and I believe that additional clarification is warranted.

To explain further, ASOP 4 provides a definition of “prescribed assumption or method” (section 2.16) that includes the phrase “binding authority,” and extends the concept of binding authority to include the situation of a plan sponsor selecting assumptions pursuant to accounting standards. Sections 3.2 and 4.2 of ASOP 4 address a subset of “binding authority” situations, i.e. the situation where a prescribed assumption or method is selected by the plan sponsor, and assigns certain responsibilities to the actuary in such situations.

In contrast, the ASOP 41 exposure draft uses the phrase “binding authority” in sections 3.3.4.a and 4.2, but does not provide a definition of it. However, the phrase, as used in the exposure draft, appears to have a different meaning than the phrase as used in ASOP 4. In the ASOP 41 exposure draft, it appears that the phrase “binding authority” is not meant to include the situation of a plan sponsor selecting assumptions pursuant to an accounting standard because the intention, I gather (and agree with) is for such situations to fall under sections 3.3.4.b and 4.3.

As you know, it is desirable to achieve uniformity of terminology and meaning across ASOPs, even when one standard is a general standard and another is practice-specific. I am concerned that the different meaning of the term “binding authority” in the two documents could lead to unintended interpretations of ASOP 41, and I recommend attempting to address the inconsistency. Possible remedies could include: clarifying explicitly that the case of a plan sponsor selecting assumptions pursuant to accounting

standards falls under 3.3.4.b and 4.3; or adding an appropriate definition of “applicable law.”

Unrelated suggested improvements in wording in various sections:

Section 3.2, line 8: place comma after “for example” and change “from” to “than”

Section 3.3.6.a: Insert “section” before “3.3.5;”

Section 3.3.6: Clarify that all three of conditions a., b., and c. must be met for the disclosure to apply. The wording could be something like: “The actuary should disclose any event that meets all three of the following conditions:

- a. the event becomes known to the actuary after...
- b. the event becomes known to the actuary before...

etc.”

Section 4.1.3.h: Move “on which the actuary relied” to immediately after “any information”

Thank you for your consideration of my comments. I would be happy to provide any clarification needed.

Sincerely,
Frank Todisco