

Comment #2 – 5/18/12 – 10:46 a.m.

This email presents my comments on the exposure draft of proposed revisions to ASOP 4. I emphasize that these are my personal comments and do not necessarily represent the views of my employer or of any of the actuarial bodies to which I belong. I am an enrolled actuary, a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and a Fellow of the Institute of Actuaries (London).

I am generally comfortable that the guidance on which you request comments on page x is generally clear and appropriate, but only time will tell if those who use it find it such. This illustrates the basic problem of all ASOPs – they ossify. A different approach is needed to allow for revision to acceptable practice to reflect changes in conditions and the possibility that in future a standard will seem clear, but to have more than one different clear meaning to different users. I repeat my recommendation for a web site on which all ASOPs are posted as recommended, not required, practice, and on which people can post comments suggesting revisions.

Section 3.5.1 a. requires the actuary to reflect provisions adopted before the measurement date for at least the portion of the period during which the provisions are in effect. This is too restrictive. I recommend replacing it with wording requiring the actuary to reflect such provisions consistent with the purpose of the measurement. To the extent provisions are not fully reflected the ASOP on communications should require disclosure of such treatment and the reason for it.

Section 3.12 a. limits the period for spreading the normal cost. The exposure draft contains no similar restriction for the amortization period for an unfunded past service cost established by a cost method for an amendment. I suggest the standard should include a strong recommendation that the amortization period for an amendment applicable to active participants not extend beyond their weighted average life expectancy, and that the amortization period for an amendment applicable to inactive participants not extend longer than their weighted average life expectancy. If an amendment applies to both active and inactive participants, spreading over total plan population weighted average life expectancy would be a reasonable alternative.

Best Wishes
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