



## ACTUARIAL STANDARDS BOARD

July 2014

**TO:** Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in the Application of the Actuarial Standards of Practice in Regards to Public Pension Plan Funding and Accounting

**FROM:** Actuarial Standards Board (ASB)

**SUBJ:** Request for Comments – ASOPs and Public Pension Plan Funding and Accounting

This document contains a request for comments concerning the application of the Actuarial Standards of Practice (ASOPs) in regards to actuarial valuations and other analyses used for determining public pension and other postemployment plan funding and accounting (“public plan actuarial valuations”). Please review this letter and provide the ASB the benefit of your comments and suggestions. Each written response and each response sent by e-mail to the address below will be acknowledged, and all responses will receive appropriate consideration by the ASB.

The ASB accepts comments by either electronic or conventional mail. The preferred form is e-mail, as it eases the task of grouping comments by topic. If you wish to use e-mail, please send a message to [comments@actuary.org](mailto:comments@actuary.org). You may include your comments either in the body of the message or as an attachment prepared in any commonly used word processing format. Please include the phrase “ASOPs - Public Pension Plan Funding Request for Comments” in the subject line of your message.

If you wish to use conventional mail, please send comments to the following address:

ASOPs – Public Pension Plan Funding Request for Comments  
Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036-4601

Deadline for receipt of comments in the ASB office: November 15, 2014

The ASB will post all signed comments received to its website. Unsigned or anonymous comments will not be considered by the ASB nor posted to the website. The comments will not be edited, amended, or truncated in any way. Comments will be posted in the order that they are received. Comments will be removed when final action on a proposed standard is taken. The ASB website is a public website and all comments will be available to the general public. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

### Background

The ASB provides coordinated guidance for measuring pension and retiree group benefit obligations through the series of ASOPs listed below.

1. ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions* (revised December 2013);  
[http://www.actuarialstandardsboard.org/pdf/asops/asop004\\_173.pdf](http://www.actuarialstandardsboard.org/pdf/asops/asop004_173.pdf)
2. ASOP No. 6, *Measuring Retiree Group Benefit Obligations* (revised May 2014);  
[http://www.actuarialstandardsboard.org/pdf/asops/asop006\\_177.pdf](http://www.actuarialstandardsboard.org/pdf/asops/asop006_177.pdf)
3. ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations* (revised September 2013);  
[http://www.actuarialstandardsboard.org/pdf/asops/asop027\\_172.pdf](http://www.actuarialstandardsboard.org/pdf/asops/asop027_172.pdf)
4. ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* (revised September 2010; updated for deviation language May 2011); and  
[http://www.actuarialstandardsboard.org/pdf/asops/asop035\\_152.pdf](http://www.actuarialstandardsboard.org/pdf/asops/asop035_152.pdf)
5. ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations* (revised September 2007; clarified September 2009; updated for deviation language May 2011).  
[http://www.actuarialstandardsboard.org/pdf/asops/asop044\\_160.pdf](http://www.actuarialstandardsboard.org/pdf/asops/asop044_160.pdf)

Over the past few years, ASOP Nos. 4, 6, 27, and 35 have been revised to strengthen the guidance. In addition, ASOP No. 35 is being further revised. The links above direct the reader to the revised ASOPs.

Public pension plan funding has received increased national attention in the past few years as a result of the recent recession and the emerging focus on financial economics in the pension community. Various organizations have produced reports with recommendations pertaining to public plan funding, including the following:

1. The California Actuarial Advisory Panel (CAAP) has issued a document titled *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans and Level Cost Allocation Model* in February 2013.  
[http://www.sco.ca.gov/Files-ARD/BudLeg/CAAP\\_Funding\\_Policies\\_w\\_letter.pdf](http://www.sco.ca.gov/Files-ARD/BudLeg/CAAP_Funding_Policies_w_letter.pdf)
2. The American Academy of Actuaries has published an Issue Brief on public plan funding in February 2014.  
[http://www.actuary.org/files/Public-Plans\\_IB-Funding-Policy\\_02-18-2014.pdf](http://www.actuary.org/files/Public-Plans_IB-Funding-Policy_02-18-2014.pdf)
3. An independent panel commissioned by the Society of Actuaries published a report titled *Report of the Blue Ribbon Panel on Public Pension Plan Funding* in February 2014.  
<http://www.soa.org/blueribbonpanel/>
4. The Government Finance Officers Association (GFOA) has issued a document titled *Core Elements of a Funding Policy* in March 2013.  
<http://www.gfoa.org/core-elements-funding-policy>
5. The Conference of Consulting Actuaries (CCA) has issued a discussion draft titled *Actuarial Funding Policies and Practices for Public Pension and OPEB Plans* in February 2014.  
<http://www.ccactuaries.org/publications/news/PPC-Model-Funding-Discussion-Draft-2-18-14.pdf>

Although the pension-related standards have been or are in the process of being updated to strengthen the guidance, in light of these external factors and reports, the ASB is interested in feedback from actuaries and other interested parties on whether further updates are needed.

#### Request for Comments

The ASB intends to undertake a comprehensive review of the ASOPs as they pertain to public plan actuarial valuations. As it begins its review, the ASB would like to solicit the views of actuaries and others who are interested in the application of the ASOPs to public plan actuarial valuations. The ASB welcomes comments on any issues relevant to this matter, and would like to draw readers' attention to the following questions in particular:

1. Public plan funding and associated actuarial valuations are less uniformly regulated than those of private sector pension plans. Actuaries may be asked by their principal to advise on funding levels. Is additional guidance needed, beyond that in the recently revised pension ASOPs, regarding appropriate public plan actuarial valuation practice to assist actuaries in performing their work and advising their principal? Why or why not?
2. If yes to question 1, in what areas is additional guidance needed?

3. If yes to question 1, should that guidance take the form of a separate public plan actuarial valuation standard or be incorporated within the existing ASOPs? Why or why not?
4. In general, the ASOPs are principles based and not rules based. As a result, the ASOPs are generally not highly prescriptive. Should the ASOPs related to public plan actuarial valuations be more prescriptive? If so, in what areas?
5. The ASOPs have provided guidance that has been applicable to all areas of practice in the pension community (for example, private sector, multiemployer, public sector). If you believe that additional guidance is needed for public plan actuarial valuations, should any of that additional guidance also apply to non-public sector plans? Why or why not?
6. The current definition of an “intended user” of an actuarial communication is “any person who the actuary identifies as able to rely on the actuarial findings” (ASOP No. 41, *Actuarial Communications*, section 2.7). Should the ASOPs require the actuary for public pension plans to perform additional, significant work (which would be incorporated in the guidance provided in the ASOPs) that is not requested by the principal if that work provides useful information to individuals who are not intended users? Why or why not? If so, should this requirement be extended to all pension practice areas? Why or why not?

The ASB reviewed this Request for Comments in July 2014 and approved its issuance.