November 14, 2014

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

To the Members of the Actuarial Standards Board:

The Actuarial Standards Board is seeking comments regarding the ASOPs and public pension plan funding. The following are my responses to the specific questions posed by the ASB:

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?*

   Additional guidance is not needed for public plans. Public plans are already regulated by federal, state and local government law in addition to being subject to reporting requirements by oversight organizations such as the Governmental Accounting Standards Board. The role of the ASOPs is to provide guidance to actuaries in performing their work. This helps to ensure that the principals who are engaging the actuary can be assured of receiving work that has been performed with a high degree of quality and professional integrity. The ASOPs are not intended to regulate actuarial practice in any one area. If there is in fact a public perception that public pension plans are not subject to sufficient regulation, the responsibility to address that would lie with the citizens of state and local jurisdictions and not with the Actuarial Standards Board.

2. *If yes to question 1, in what areas is additional guidance needed?*

   No additional guidance is 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?*

   No additional guidance is needed.

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?*

The recently revised pension ASOPs provide the appropriate framework and guidance for a pension actuary to perform their work and advise their principal. An ASOP that is more prescriptive in nature may limit the ability of an actuary to produce work that is of value to the principal. As those of us practicing in this area know, public plan sponsors are especially sensitive to the strain that volatile contributions can have on taxpayer funded budgets. The nature of the environment in which public plans operate often requires plan sponsors and fiduciaries to place extra emphasis on the stability of contributions and, certainly, the level of tolerance to large swings in contributions will vary by jurisdiction and plan sponsor. The current ASOPs allow for a degree of flexibility so that the pension actuary may develop a contribution allocation procedure that is appropriate in a particular jurisdiction. ASOPs that are more prescriptive may limit an actuary's ability to advise their client on the issues that are important to a particular jurisdiction.

The ASOPs have historically been principles-based and should remain so. As stated in ASOP No. 1, the ASOPs "do not attempt to dictate every step and decision in an actuarial assignment." Creating a separate ASOP or including language in current ASOPs that is more prescriptive in nature for only one area of practice would not be consistent with the intended purpose of the ASOPs.

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?*

   No additional guidance is needed.

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 role of the ASOPs is to provide an actuary with guidance in performing their work. It would be outside of the scope of an ASOP to require the actuary to perform additional work that was not requested by the principal engaging the actuary. Actuaries in all practice areas produce work that provides information that is potentially useful to individuals other than intended users. Should actuaries be required to perform additional analysis and disclosure of a publicly traded company's workers' compensation loss reserves if that information would be useful to stockholders? Should public plan actuaries be required to provide information that is considered useful to bargaining units at the expense of the plan sponsor, and ultimately, taxpayers? The definition of what is "useful information" differs depending on the individual seeking the information and it is not appropriate for an ASOP to determine what information is or is not useful to outside parties that have not directly engaged the actuary.

I appreciate the opportunity to comment and thank the members of the Actuarial Standards Board for their efforts in gathering feedback on this issue.

Respectfully submitted,

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