As requested, the following is an outline of the remarks to be made at the hearing and addresses the four areas in which input is being sought. The last item addresses the request to discuss i) the rationale for the recommendations, ii) who will benefit and, iii) whether the recommendations should apply to private plans.

1. Contribution/cost allocation procedures
    a. Principles based guidance requires a statement of primary objectives for the calculations or principles to which the calculations must adhere in order to guide the judgements the actuary must make to perform the calculations. In this sense, such objectives/principles provide the framework for concluding whether the resulting calculations are reasonable and appropriate for their intended purpose. The current ASOP contains neither objectives nor principles. Clear and well-defined objectives/principles of a sound funding policy are needed; funding adequacy and maintenance of intergenerational equity, specifically defined, are recommended for consideration.
    b. Principles based guidance (and more prescriptive guidance for complex calculations) should be supplemented by disclosures that provide sufficient information for a user to understand the basis of the resulting calculations and, when heavily influenced by 'assumptions', to understand the sensitivity of the calculations to changes in key assumptions. Qualitative comments about outcome sensitivity are inadequate; quantitative information about the impact of alternate methods and assumptions on current and expected future contributions should be required.
    c. Current guidance does not provide any restraints on actuarial cost methods that can be used. Development of appropriate principles/objectives may indirectly create such constraints by requiring the actuary to provide an opinion that the method used is consistent with the funding principles. Guidance should also consider the identification of cost methods that are not likely to be consistent with funding principles. Stronger guidance would identify a single cost method for use, possibly except in highly unusual situations, which use would have to be supported by the actuary

2. Amortization methods
    a. Amortization methods, as part of the use of traditional cost methods, must result in the achievement of primary funding principles. Both the SOA Blue Ribbon Panel and the Conference of Consulting Actuaries' paper "Actuarial Funding Policies and Practices for Public Pension Plans" note that intergenerational equity is important to maintain and amortization methods should clearly support the accomplishment of this goal. Employees' remaining working lifetime should be the standard against which this assumption should be compared.
    b. In the event the period used materially exceeds the average remaining working lifetime of employees, alternate liability and contribution calculations quantifying the impact of using an assumption different from this standard should be disclosed

3. Assumptions
    a. In the context of principles based guidance, more clarity around what the assumptions are intended to represent is desirable, e.g., best estimate or probability weighted expected experience.
    b. This would provide a framework for more complete guidance regarding the determination of future mortality assumptions, including improvement assumptions, and future investment earnings assumptions.
    c. With respect to investment returns, guidance should clarify that the objective is to establish an assumption that represents the probability weighted (i.e., mean) geometric return over the horizon of the funding program.
    d. Investment return assumptions should be required to consider matters such as i) the portfolio's current position with respect to historical market cycles, ii) forward return or risk premium expectations and, iii) return volatility inherent in major asset classes.
    e. As noted earlier, as the calculations are especially sensitive to the investment return assumption, alternate calculations should be disclosed for the purpose of enabling a user to understand the sensitivity of liabilities and contribution estimates to changes in assumptions. In particular, it may be prudent to show the effect of a "shock" to the asset return portfolio, rather than simply alternate returns within a narrow range around the assumption.
4. Alternative liability measures
    a. Such disclosures are desirable as they provide meaningful, actionable information about the risks inherent in the methods and assumptions used in the funding program
    b. If the actuary provides an opinion confirming that the cost method and assumptions used are consistent with well-defined funding principles, additional disclosures can be limited to quantifying the sensitivity of the outcome to the use of alternate assumptions, eg, mortality improvement and investment returns.
    c. If no such opinion is presented, then alternative liability and contribution amounts should be presented based on the entry age normal method, an amortization period consistent with the average remaining working life of employees, and current high quality, intermediate term, corporate bond yields (e.g. AA or better). When compared to the liability and contribution amounts of the selected methods and assumptions, this alternate calculation provides an estimate of the magnitude of the risks being taken in the selected method and assumptions.
5. Rationale for recommendations, who will benefit and the scope of recommendations
    a. Actuaries performing such calculations would benefit from this additional guidance as it would provide useful standards to guide their work and to provide stakeholders a meaningful basis for assessing the appropriateness of their conclusions. All plan stakeholders would benefit from this guidance as it would ensure them of the reasonableness of the actuary's conclusions and enable them to form an understanding of the sensitivity of the results to different, often subjective, assumptions. This knowledge would be useful in evaluating alternative funding programs, their relative risk of producing an adequately funded plan and, therefore, would support more informed decision making by all stakeholders. These recommendations appear appropriate for both public and non-pubic plans.