Comment #10 – 10/31/16 – 1:48 p.m.

Comments & Observations
Re: Second Exposure Draft of the Proposed ASOP, "Assessment and Disclosure of Risk Associated w Measuring Pension…"
From: Corwin Zass | Actuarial Risk Management, LTD
Tim Leier | TRL Consulting, LLC
Date: October 31, 2016

1.1 – Purpose: Suggest adding whether this ASOP is for public, private or both. Please be explicit. Please consider a definitive statement in 1.1 that states OPEB valuation are excluded. We note there currently is no ASOP discussing OPEB risks like this draft does on pension benefits.

1.2 – Scope: The sentence "This standard does not require the actuary to evaluate the ability of the plan sponsor or other contributing entity to make contributions to the plan when due". This is clearly a credit risk exposure that the actuary should receive a reliance letter that says that such party responsible for the contributions agrees with the contribution assumptions in the pension valuation.

3.2 – Assessment of Risk: This section would be improved with comments around quantitative assessment vs. qualitative assessment. Furthermore, all the risks should be prioritized as to their impact on the balance sheet.

3.3 – Identification of Risks to be Assessed: The first sentence states "may reasonably be anticipated to significantly affect…"; in other words, risks that could materially impact the operation of the plan and the promises made to plan participants. The only way to determine whether such risks are material is to perform robust stochastic analysis then measure their respective affects.

3.4 – Assumptions for Assessment of Risk: There should be supportable and verifiable empirical data to support assumption choses or commentary when there is any deviation from what the data shows.

3.4 – Assumptions for Assessment of Risk: The last sentence states that the "assessment of risk should reflect the actuary's professional judgment". Again such judgment must start with past knowledge of the circumstances impacting such risks then rationale for using or not using what the data shows. This ASOP should include mirrored language of "rationale" found in ASOP #27 & #35.

3.7 – Plan Maturity Measures: Might consider adding that the list is not limited to those shown. The actuary should consider how the plan is expected to change over the horizon that is relevant to the plan sponsor and or the plan. If the plan the is expected to be (more) insolvent in 5 years then the risk assessment should be more focused on this 5 year period not 40 year henceforth.

3.8 – Historical Information: There should be commentary relating to the investment returns of the assets supporting the plan. Furthermore, we disagree with the statement that the actuary use "professional judgment" in selecting the historical actuarial measures to disclose.

4.1 – Disclosures: (e) We suggest commentary as to who computed the plan measures if they were provided by the plan sponsor or another third party.

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