October 31, 2016

To: Actuarial Standards Board

RE: Comments on the Second Exposure Draft of the Proposed ASOP on Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Plan Contributions

I appreciate effort put forth by the Pension Committee of the Actuarial Standards Board in developing this exposure draft and I appreciate this opportunity to comment on the exposure draft of the Actuarial Standard of Practice on Risk.

My first comment relates to terminology. Section 1.2 states that the standard applies to funding valuations and pricing valuations of proposed pension plan changes. Pricing valuations are defined in section 2.2 as measurements to estimate the impact on the periodic cost or the actuarial determined contribution of proposes changes to the plan benefit provisions.

The use of the term "periodic cost" seems to imply that this proposed ASOP applies to valuations performed for accounting purposes, but only in the case of assessing the impact of a proposed change in the benefit provisions. However, the comments seem to imply that valuations for accounting purposes are beyond the scope of this proposed ASOP. I think that it would be helpful to clarify whether valuations for accounting purposes are intended to be included in the scope of this ASOP.

My second comment relates to the identification of the "contribution risk". I believe that another ASOP already requires the actuary to communicate the fact that the current funding policy for a pension plan will not adequately fund the plan's unfunded liability. I am trying to understand what the addition of this requirement with respect to contribution risk will add to the valuation report. We already know that a change in the interest rates, mortality, or investment experience will change the amount of the unfunded liability and the amount of the required contributions. So a statement that failure to make the required contributions will adversely affect the funded status of the plan may not be inappropriate, but I am not sure that it belongs under the category of risk. As an alternative, perhaps we could add a "legislative risk", i.e., the risk that Congress will change the funding requirements for pension plans, resulting is a significant increase or decrease in the funding requirements which if followed will cause the plan to be significantly underfunded or overfunded.

Thank you for your consideration and your efforts.

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