To Whom It May Concern,

This email presents my comments on the proposed revision to Actuarial Standards of Practice 4 (ASOP 4). I emphasize that my comments are personal and do not necessarily represent the views of my employer or of any actuarial body of which I am a member. I am an Associate of the Society of Actuaries, An Enrolled Actuary, and a member of the American Academy of Actuaries.

I strongly urge the ASB to remove the word defeasement from ASOP 4, and I request that the ASB consider substituting Investment Risk Diminution Measure for Investment Risk Defeasement Measure for the following reason:

A pension actuary may take a position based on his principles that “defeasement” (meaning nullification) is a word that is inappropriate for investment risk in a defined benefit pension plan unless that plan is terminated, and he may, in accordance with Section 3.2 a. of ASOP 4, word the purpose of the Investment Risk Defeasement Measure accordingly. That actuary may do additional work that is not generally included in a funding valuation, and he may be at a disadvantage in terms of setting competitive prices for actuarial services compared to other pension actuaries who do not take that position. The exposure draft for ASOP 4 as currently written may diminish respect for the Actuarial Standards of Practice. An increasing number of pension actuaries may need to compromise their principles by rationalizing ways to avoid the position described above so that they may continue offering their services as pension actuaries.

I also request that the Actuarial Standards Board (ASB) consider (1) adding guidance about the purposes for the Investment Risk Diminution Measure, (2) adding a definition for the Investment Risk Diminution Measure to Section 2 and (3) amending Section 1.2 to clarify that the Investment Risk Diminution Measure is “an assignment of the value of plan obligations to time periods” and not an obligation related to “annuity pricing.”

Thank you,

Michael Hunter