

Comment #60 – 7/31/18 – 9:51 p.m.

Actuarial Standards Board,

I am writing some general comments related to ASOP 4 as informed by ASOPs 41 and 51. I am pleased to see and applaud the thoughtful interplay of these standards. They reflect our profession's continued advancement of the critical value and responsibility that actuaries can provide their clients. Clients need context to understand any numbers that may be provided by an actuary. As there is always risk and uncertainty associated with any valuation of the future, numbers reported are only ultimately useful if they also contribute to the framing of sustainable risk management awareness and actions. I believe lifetime retirement income is a valuable benefit and should be encouraged in a sustainable fashion.

I appreciate that the topic of market based valuations for public pension plans has been a controversial topic for almost two decades. Whereas in the past, the debate was often couched in terms of which basis was the "true" basis, my experience has been that the use of multiple lenses (along with understanding the value and shortcoming of each lens) is essential for the sustainable management of long term obligations and to understand the possible range of results. Cashflows from funding and for payments are done and reported in the real world, but credit and market risk need to be assessed by comparing ones current, real world holdings against the risk views of the rest of the market. Combined with a gain and loss analysis based on the sources of risk, managers of the risks can then understand and clarify the level of risk that the program may be willing to tolerate (and to clarify who shares in any of the wins and losses from taking on extra risk).

I have heard there is concern that reported market numbers may be misused by others and may actually confuse the managers of those programs. As to the first concern, those numbers are already being used as political weapons without any professional obligation by others to include the context (and possible misapplication) of market based numbers. These ASOP's reinforce the important opportunity and role for the actuary to provide a balanced and educative view of the possible range of results and risk exposures so that the managers of the programs are better equipped to enter into the needed public discussion and sustainability of those programs.

I must admit that in some ways, these are not my views alone, as I arrived at many of them after being asked to chair a Task Force to report to the board of the American Academy of Actuaries almost 10 years ago. We were asked to recommend options to improve the sustainability of public pension plans in the US. My own experience at a company focused on providing lifetime income protection and the valuable education I received from working with that diverse and passionate group of pension practitioners is the basis for the comments expressed here.

David K. Sandberg MAAA, FSA, CERA