ASB Comments
American Academy of Actuaries
1850 M Street NW, Suite 300
Washington, DC 20036

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.

Many thanks are offered to the Actuarial Standards Board (ASB) for changing the name of the “investment risk defeasement measure” to “low-default-risk obligation measure.” If the name changes again, please do not include defeasement in the new name.

If the first sentence of Section 3.11 is not revised to read “If the actuary is performing a funding valuation, the actuary should” consider calculating and disclosing “a low-default-risk obligation measure of the benefits earned as of the measurement date”, then I am requesting that the ASB provide special relief in ASOP 4 from this requirement for Length of Service Award Programs (LOSAPs). LOSAPs are different from other defined benefit plans due to the following considerations:

1. Actuarial fees for LOSAPs are very low.
   a. LOSAPs are generally very small programs.
   b. Actuarial services required for LOSAPs are limited.
2. Professional actuarial skill is needed for LOSAPs.
   a. A key feature of LOSAPs is that pensioners can accrue additional benefits.
   b. Calculating actuarially-determined contributions based on best-estimate assumptions therefore requires professional actuarial skill.
   c. Not all service providers use best-estimate assumptions for LOSAPs because it is easier and less expensive to assume that pensioners do not accrue additional benefits.
3. A new requirement in ASOP 4 would not improve actuarial service for LOSAPs.
   a. Calculating and disclosing a low-default-risk obligation measure would not be an equal financial burden on all actuarial service providers.
   b. Increasing fee disparity will favor service providers who are willing to use assumptions other than best-estimate assumptions.

The ASB should not inadvertently discourage good actuarial service for LOSAPs by adding an economic burden to the calculation of actuarially-determined contributions by actuaries who use best-estimate assumptions.

Thank you for your consideration.

Best wishes,

Michael Hunter