

ASOP No. 4 Revision
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

May 31, 2012

RE: Proposed Revision of Actuarial Standard of Practice No. 4 – Measuring Pension Obligations and Determining Pension Plan Costs or Contributions

To: Actuarial Standards Board

We have reviewed the document “Proposed Revision of Actuarial Standard of Practice No. 4”. The undersigned are all actuaries who work for The New York State Teachers’ Retirement System. The comments made are our own, and not intended to be representative of our employer. There are two areas in which we would recommend that the ASB revise the proposal.

Section 4.1(i) requires disclosure of the type of actuarial present value contained in the actuary’s work product. While we have no issue with providing this information, we are concerned that the language in this section that provides an example of a statement that an actuary may include with respect to plan asset-based assumptions is potentially inflammatory. To advise a board or decision-making body that the use of such assumption creates an incentive to invest in riskier-than-appropriate assets in order to increase the expected return and thereby lower plan liabilities and costs is insulting and pre-supposes bad behavior. Frankly this should be obvious, and in the vast majority of cases does not occur.

Secondly, although the definition of Actuarial Accrued Liability (2.1) is virtually the same as in the existing standard, we think that it may not be clearly understood by non-actuaries since the definition is not direct, but rather refers to what the actuarial accrued liability is *not* (i.e. it is “**not** provided for by future normal costs” [Emphasis added]). We request that the definition be expanded to include a reference to the actuarial accrued liability also being equal to the portion of the actuarial present value of projected benefits that is attributed to service that has been accrued to date.

We thank the Actuarial Standards Board for the opportunity to provide comments. We commend the Board on developing a reasonable and balanced revised standard.

Sincerely,

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