



Sent via e-mail to [comments@actuary.org](mailto:comments@actuary.org)

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

May 29, 2012

RE Proposed Revision of ASOP No. 4 – Measuring Pension Obligations and Determining Pension Plan Costs or Contributions

To members of the Actuarial Standard Board:

I am writing on behalf of the Principal Financial Group® (the Principal®) with respect to the Exposure Draft for the Proposed Revision to ASOP No. 4. The Request for Comments asks the reader to consider certain areas of the Exposure Draft in particular, among them the following:

*Question 4: Is the lack of prescribed assumptions for determining a market-consistent present value a deficiency in the proposed standard?*

We do not believe this is a deficiency. We believe it is appropriate for the actuary to exercise judgment in this regard.

*Question 7: Are the new definitions regarding funded status, the term fully funded, and the new disclosure requirements clear, sufficient, and appropriate?*

The Exposure Draft requires an actuary that communicates that a plan is fully funded to also state whether the plan's market value of assets equals or exceeds the estimated cost to settle the benefit obligations. This may require the actuary to perform an amount of work that is significant in relation to the scope of the project or valuation, adding a significant amount of cost for the plan sponsor. We suggest that the scope of the project or valuation be fully disclosed and if it does not include determining settlement obligations that this statement not be required.

*Question 9: Is it appropriate to require the actuary to disclose whether the contribution allocation procedure or the contribution requirements established by contract or law are likely to result in either a declining funded status or increasing future contribution requirements?*

In certain economic environments the methods for calculating minimum funding requirements for qualified plans may be expected to result in increasing contribution requirements in the short term, with declining contribution requirements in future years. In other economic environments, that may not be true. It seems inappropriate to make a statement about the pattern of future contribution requirements or funded statuses that depend on the current economic environment or other assumptions rather than the contribution allocation procedure itself.

In addition, there should be clarification about what conditions to assume for the plan in future years. For example, is only the current plan population to be considered? Or if the plan is open should new entrants be considered? What rate of population growth should be assumed? Many other questions need to be answered as well.

Also, we believe comments about future contribution requirements should be made only for projects that cover multiple years, such as a projection, but not short-term evaluations, such as an annual actuarial valuation, because it may be necessary to enlarge the scope of the project to be able to make the required statement.

We thank the ASB for the opportunity to comment on the exposure draft.

Sincerely,

A handwritten signature in cursive script that reads "Terrance M. McCarthy".

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