



AMERICAN ACADEMY *of* ACTUARIES

August 1, 2008

ASB Comments
American Academy of Actuaries
1100 17th St., NW
7th Floor
Washington, DC 20036

Re: ASOP No. 27 Request for Comments

To Whom It May Concern:

In our capacity as the co-chairs of American Academy of Actuaries¹ Joint Committee on Retiree Health, and on behalf of the Health Practice Council, we have reviewed the request for comments on ASOP No. 27. Actuaries who practice in the area of other post-employment benefits (OPEBs) and participate in the measurement of retiree group benefits for such purposes as financial reporting compliance (e.g., FAS 106 and GASB 43/45) and plan design are subject to ASOP No. 27. Although none of the ten questions contained in the request for comments directly relate to the OPEB practice area, we request that the ASB keep OPEBs in mind as it proceeds with consideration of ASOP No. 27. The following should be considered relevant to question 7 in the ASB's request for comments.

As a reminder to those in the standard-setting process unfamiliar with ASOP No. 6, *Measuring Retiree Group Benefit Obligations* (December 2001), it references the following standards:

Pension—ASOPs No. 27 and 35
Health—ASOPs No. 25 and 31
General—ASOP No. 23

If it were to be rewritten today, it might also reference ASOPs No. 4, 5, 42, and 44. Here is an example of the language in ASOP No. 6, from 3.8.1:

“The actuary should comply with the guidance contained in ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, when selecting the inflation assumption, discount rate, investment return assumption, and compensation scale (when needed for benefits such as life insurance) to be used in measuring retiree group benefit obligations. In applying ASOP No. 27, the actuary should take into account the purpose and nature of the measurement, and the differences between the characteristics of retiree group benefit obligations and the characteristics of pension benefit obligations.”

We are aware that the ASB website lists ASOP No. 6 exclusively under the Health Practice. This was not the intent of the ASB when it promulgated this ASOP in its original form in 1988 and as revised in 2001. The various ASB committees that worked on these standards were always balanced between pension and health practitioners, recognizing that work in the OPEB area would often involve actuaries who usually practiced exclusively in pensions or exclusively in health. Since these may be the actuaries that particularly need guidance and awareness of standards, listing ASOP No. 6 under the pension practice area as well as the health practice area would be consistent with the goals of the ASB and the profession. (We also noticed that ASOP No. 25 is listed under the health practice only and should also be under the casualty practice.)

¹ The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

We were both members of the task force that submitted ASOP No. 6 to the ASB for promulgation. At this point it would seem premature for an extensive analysis of ASOP No. 6 in relation to other ASB changes. While we recognize that the relevance of ASOP No. 6 may not have been a factor in the ASB's decision to revise ASOP No. 27, we hope that in light of the concerns we've raised, it will be a consideration going forward. We welcome the opportunity to be of assistance to the ASB as it reviews ASOP No. 27 and other standards, including possible repeal of ASOP No. 31. If you have any questions, please contact Heather Jerbi, the Academy's senior health policy analyst (202.785.7869; Jerbi@actuary.org).

Sincerely,

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