

Comment #1 – 11/22/14 – 8:30 pm.

Actuarial Standards Board

Re: Proposed Revision of Actuarial Standard of Practice No. 34

Dear Members,

In 1999, I was a member of the Pension Committee of the ASB that adopted the current version of ASOP 34. Subsequent to 1999, additional information relevant to the valuation of pensions in a divorce proceeding came to my attention.

My comments are in two areas:

- Prenuptial and postnuptial agreements are relatively common in today's world. In most divorce cases where those agreements exist, the prenuptial/postnuptial agreements provide the controlling authority for the distribution of marital assets. In effect, these agreements are equivalent, even superior, to Domestic Relations Law, as defined in Section 2.10. One might argue that the phrase, "other binding authority" in Section 2.10 implicitly includes these agreements. However, Section 2.9 mentions these agreements and I think that normal legal interpretation would be that they are not referred to in Section 2.10.

I would also point out that separation, divorce, and support agreements may also override specific laws. In addition, in a divorce proceeding, the parties and their attorneys may agree to provisions that override state law. The judge may also issue an order that provides direction to the actuary. In other words, the various agreements that the parties enter into may supersede Domestic Relations Law, as defined in Section 2.10

- The standard seems to assume that the valuation process always includes an allocation method. For example, Section 3.3 says: "the actuary should do the following: . . . select an allocation method . . .". Section 3.3.5 says: "the actuary should do the following: . . . a. identify the measurement date, the allocation date, the allocation period . . .". Many valuations do not include an allocation method. For example, a valuation for a prenuptial agreement might value the pension benefits at the marriage inception; there would be no allocation. A prenuptial/postnuptial agreement might specify that the marital property attributable to a pension plan is the difference between the valuation at the date of divorce and the valuation at the date of marriage. There would be no allocation for either valuation. (The agreements would specify the distribution of total marital property.)

Respectfully submitted,

Richard Q. Wendt, FSA(retired), CFA