



**DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220**

October 28, 2016

Assessment and Disclosure of Risk
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

Dear Sir or Madam:

This letter responds to the proposed actuarial standard of practice (ASOP) on Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, as requested in the exposure draft of June 2016.

The Actuarial Standards Board (ASB) is taking an important step with this new ASOP. If formulated well, it will be important to improved decision making by public pension boards and plan sponsors and to better understanding the fiscal health of state and local governments.

Plan decision makers need actionable measures of potential financial outcomes, such as a range of estimates on the future trajectory of funded ratios and required contributions. Therefore, we urge the ASB to re-consider including in the ASOP more definitive and meaningful quantitative method(s) for assessing the risks identified by the actuary, such as a requirement for models, tests, or analyses that produce numerical measures of stress scenarios, potential volatility, outcome ranges and probabilities, and other decision variables. Such a requirement could be accompanied by a materiality threshold to exclude cases where the costs of a quantitative standard may be disproportionate to the size of the plan relative to the sponsor's revenue.

Thank you for your consideration of this comment on the exposure draft. We commend your important work.

Sincerely,

Gary Grippo
Deputy Assistant Secretary
Public Finance