

Comment #2 – 9/19/16 – 12:16 a.m.

This email contains my comments on the second exposure draft of a proposed ASOP Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions.

I emphasize that these comments present my own views and do not necessarily represent the views of my employer or of any actuarial organization of which I am a member. I am an enrolled actuary, a Fellow of the Institute of Actuaries (London), a Member of the American Academy of Actuaries, and a Fellow of the Society of Actuaries.

Section 3.2, second paragraph has “etc.” at the end of a list that follows “for example.” Neither the abbreviation “etc.” nor its unabbreviated “and other things” should follow “for example,” which should precede only specific examples of a concept.

Section 3.8 d. contains the term normal cost. I recommend expanding that entry to include service cost and target normal cost.

In the Appendix, in the third response in Section 3.2, Risks to be Assessed (now section 3.3, Identification of Risks to be Assessed), the reviewers reject the suggestion noting the current language is the same as included in ASOP No. 4. I urge reconsideration and reversal of this position. The proposed ASOP naturally breaks boundaries in the concepts anticipated by those who wrote ASOP 4, at the time they wrote it. All plan sponsors, with the possible exception of those who have filed for bankruptcy, have the ability to pay all contributions when due, since there will be conditions under which the sponsor can borrow enough money and use it to pay contributions when due. Therefore, the quoted language in ASOP 4 is virtually useless. Far less useless is language that considers the willingness of a plan sponsor to make contributions when due. I strongly urge the committee to reverse the position set out in the appendix on this issue. Rather than stifle creativity by requiring identical language to that contained in ASOP 4, the committee should adopt language that reflects plausible outcomes outside the scope of those who penned ASOP 4.

Best Wishes
Jan Harrington