

Comment #4 – 5/30/12 – 10:12 a.m.

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

Re: Proposed Revision of Actuarial Standard of Practice (ASOP) No. 4

Dear Standards Board:

This letter represents my comments on Proposed Revision of Actuarial Standard of Practice (ASOP) No. 4. The description or number at the beginning of each comment corresponds to the section of the proposed standard to which the comment relates.

Key Proposed Changes to ASOP No. 4 – Liability: Economic, Market, or Otherwise – The introduction to the proposed standard contains an articulate discussion of the challenges which the term “liability” poses. I believe that the word “liability” should be removed from the standard, and its use in actuarial vernacular discouraged. It is only necessary to read newspaper articles, watch television, or listen to commentators in order to realize that the term is misleading. In my view, the term is deliberately used by some commentators to mislead the public. I recognize that deleting the term from actuarial communications cannot be accomplished overnight; nevertheless, in my view, the actuarial profession has a responsibility to do so.

2.90 – The meaning of the phrase “other than funding is unclear.”

2.12 and 2.13 – Specifying that the phrase “fully funded” be adequately defined will improve actuarial communications. This portion of the Standard should be adopted. However, requiring disclosures of funded status on market value, if actuarial value is disclosed, should not be required. The revised Standard should leave such disclosures (and the format of the actuarial communication) to the judgment of the actuary who prepares the report. A requirement that the communication also contain a disclosure of the market value of assets would be sufficient.

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2.15 – The Committee should consider rewording this paragraph to read, “Valuation Date—The date as of which the values of the pension obligations and, if applicable, assets are determined (sometimes referred to as the measurement date).” A similar change should be made at 4.1.b.

Overall Comment

In my view, Proposed Revision of Actuarial Standard of Practice (ASOP) No. 4 requires excessive disclosure. While there are good reasons for disclosing each listed item, taken together, they will make actuarial communications overly long. They will discourage recipients from reading the reports in detail. Actuarial communications already have a reputation among the general public and report recipients as being long and tedious. The Committee should keep in mind Voltaire’s dictum, “the perfect is the enemy of the good.” Actuaries are professional enough to make sound judgments concerning which items are needed in order to fully and fairly disclose the actuarial position of a pension or retiree group benefit plan.

Thank you for the opportunity to comment on the proposed standard. I would like to my appreciation to members of the Committee for the enormous amount of work and care which went into the Proposed ASOP No. 4.

If you have questions concerning these comments, please feel free to contact me.

Sincerely,

John M. Crider, Jr., ASA, MAAA, EA