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# A View From the SOA's Staff Fellow for Retirement

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The actuarial profession relies on the actuarial standards as an important tool in maintaining the self-governing aspect of our profession. Many pension actuaries practicing in the United States will be aware that the Actuarial Standards Board (ASB) has recently done significant work on the Actuarial Standards of Practice (ASOPs) that impact pension work. Changes and updates have been made to all the core ASOPs that inform pension actuarial practice within the last five years and a new “risk” ASOP is currently in process.

Additionally, the ASB is (as of July 2015) considering whether an additional ASOP specifically focused on public plan actuarial practice should be developed. The ASB issued a request for comments in July 2014 with a mid-November deadline that generated 55 responses (found [here](#)). Then in May 2015, the ASB took the unusual and added step of announcing [a public hearing](#) and inviting interested parties to testify. The hearing took place July 9 and included both another round of [written comments](#) submitted beforehand and verbal testimony from 16 individuals, most of whom were actuaries, but not all.

I had the privilege of attending this unique (and historic) event, so I thought a brief report to our readers would be of interest. An additional article is available via the Enrolled Actuaries Report's [summer issue](#) and, of course, the written comments submitted make for interesting reading.

## FORMAT

The event was held at the Ronald Reagan Building and International Trade Center in Washington, D.C., and while the meeting room didn't have the aura of many of the Congressional meeting rooms, the event had a similar feel to a Congressional hearing. The ASB and its Public Pension Task Force (Bob Meilander, Alan Milligan, Frank Todisco and Mita Drazilov) were seated at a table at the front. Each person testifying was invited to a table facing the ASB and task force members, where they were given five minutes to provide their prepared statements. Then, the ASB and task force members were given a few minutes to ask questions of the person testifying. After the formal testimony period was completed, they moved into a short period where those who signed up at the start of the hearing could also testify. There was then a



call-back period where they called back select speakers for additional questions from the panel. The event lasted about 3.5 hours, so it was an intense afternoon with much information covered.

## KEY THEMES & RANDOM OBSERVATIONS

Much of the testimony mirrored the submitted comments, but I expect the value gained by the ASB and the task force was the ability to interact with the speakers through the question-and-answer sessions. I will highlight a few themes and some of my random observations from the event:

- There was a significant call for and acknowledgement that disclosures on risk need to improve, but nearly universal agreement among the actuaries testifying who currently work with public pension plans that disclosing a risk-free or market value

liability is not the way to do that. Some did acknowledge that they do use a market liability for select calculations—e.g., withdrawal liability type calculations.

- Many speakers referenced the draft ASOP on risk and urged the ASB to finish it.
- There was acknowledgment by some that the financial economics/market-value debate which has been a significant ongoing discussion for pension actuaries over a number of years has prompted more focus on and led to better discussions about risk in the public pension arena.
- There was general (but not universal) agreement that the ASB could write principle-based statements that would weed out specific “fringe” practices (e.g., ultimate EAN method, perpet-

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ual negative amortizations). These are sometimes used in developing contribution allocation procedures and have been particularly subject to public criticism. However, my sense was that there wasn't full agreement from those testifying about where the line should be drawn in that area or what specifically constitutes "fringe."

- There were numerous references made to the work completed by the various actuarial organizations in this area, including the SOA's [Blue Ribbon Panel report](#), the Conference of Consulting Actuaries' [white paper](#) on public pension plan funding practices, and the American Academy of Actuaries' [issue brief](#) on principles for funding public pension plans. In addition, the panel asked a number of questions of the speakers about recommendations made in the reports.

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This showed me the importance of these sorts of efforts.

- There were several questions from the panel about who needs the additional disclosures that some were advocating for and concerns were raised about who should pay for additional disclosures some may view as being primarily for the benefit of stakeholders beyond the "intended users" (e.g., should plan assets be used to pay for something that investors, politicians, taxpayers, etc. may want but plan trustees don't think is needed?).
- A majority view of the actuaries testifying supported

the view that the ASOPs should uniformly apply to all pension plans—e.g., the ASB should not create a separate public pension ASOP. However, several individuals argued that the lack of uniform regulatory control in the public plan arena creates a need for potentially separate standards.

These thoughts reflect some of my personal observations from the event. I expect that if you were to talk to someone else who attended, they might have found other aspects to highlight. It certainly was an interesting and important discussion for our profession and I don't envy

those on the ASB and the Public Pension Task Force as they evaluate the input they received and decide how to proceed. The time spent on this work is probably one of the most important but also thankless volunteer roles in the actuarial profession. So let me express my thanks to those doing this work ... and we'll stay tuned to the news coming out of the ASB as they move forward on this very important issue.

As always, if you have feedback on this topic or other activities of the SOA Pension Section Council, please contact me. ■



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