

ASB Approves Two Pension Drafts for Exposure

During the ASB's August meeting, the ASB approved two Pension Committee drafts for exposure: *Selection and Use of Asset Valuation Methods for Pension Obligations*, and a revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*.

The original ASOP No. 4 contained general recommendations for selecting economic and noneconomic assumptions, the actuarial cost method, and the asset valuation method—all key elements in the valuation of pension obligations. The evolution of actuarial practice in this area and the adoption of related ASOPs since ASOP No. 4 was adopted have made it necessary to update the guidance contained in ASOP No. 4.

The ASB intends to provide coordinated guidance through a series of ASOPs for measuring pension obligations, which includes the proposed revision of ASOP No. 4 as well as ASOP Nos. 27 and 35, and the Asset Valuation Methods exposure draft.

The Asset Valuation Methods draft is being exposed concurrently with the proposed revision of ASOP No. 4, and it is the ASB's intention, in order to achieve consistency, to adopt both final standards at the same time.

The exposure drafts are available at www.ActuarialStandardsBoard.org or with the December issue of the *Actuarial Update*. The comment deadline for both drafts is March 1, 2007.

ASOP Deviation Language Undergoes Revision

Also in August, the ASB approved the exposure draft, *Proposed Revision of the Deviation Clause in Actuarial Standards of Practice*. A deviation clause is included in each ASOP in recog-

nition that actuaries are frequently called upon to render professional services in situations that differ to some extent from those contemplated when the ASOP was adopted or where, in the professional judgment of the actuary, the application of new practice based on recent advances in actuarial science would be more appropriate.

As the ASB's work has evolved over the years, so has the standard deviation clause, resulting in different language in some ASOPs that might suggest various interpretations of meaning. The ASB believes that the deviation clause should be clearly and consistently worded among all the ASOPs and is proposing the changes described in this exposure draft to accomplish this.

The ASB also proposes to change standard language that often appears in section 1.2, Scope, of ASOPs that addresses what the actuary should do in the event that the guidance in an ASOP conflicts with applicable law.

The exposure draft is available at www.ActuarialStandardsBoard.org or with the December issue of the *Actuarial Update*. The comment deadline is January 15, 2007.

New Program Manager

On October 6, Mary Downs, general counsel and director of professionalism at the American Academy of Actuaries, announced that Joe Vallina will be appointed ASB program manager, filling the vacancy left by Caren Clark's departure. He began supporting the ASB on November 13.

Vallina comes to the ASB from the American Academy of Actuaries' communications department, where he has served as marketing and publications production manager since 2004. His background includes writing, editing, and production for print and the Web. Members can contact Vallina at vallina@actuary.org, or by phone at (202) 223-8196.

ASB AGENDA PROJECTS

November 2006

Subject Area		Qtr. 2006				Comments
		1	2	3	4	
Property/casualty unpaid claim and claim adjustment expense estimates		E	E	R	R	The comment deadline on the exposure draft was June 30. The subcommittee is currently reviewing comments and revising the draft in response. It hopes to present a new draft to the ASB in early 2007.
ASOP No. 36 revision (statements of actuarial opinion regarding property/casualty loss and loss adjustment expense reserves)		P	P	P	P	The ASB has approved a proposal to revise the standard. The Casualty Committee is currently monitoring discussions within the profession to determine whether there is consensus on key issues related to disclosure requirements.

Subject Area		Qtr. 2006				Comments
		1	2	3	4	
ASOP No. 38 revision (using models outside the actuary's expertise (for all practice areas))		R	SE	R	R	The comment deadline on the second exposure draft was July 15. The task force reviewed comments, drafted responses, and will present a new draft to the ASB in November for consideration as a final ASOP.

Subject Area		Qtr. 2006				Comments
		1	2	3	4	
ASOP No. 3 revision (continuing care retirement communities)		D	D	D	D	The ASB reviewed a proposed exposure draft in August and returned it to the task force for further revision. The ASB will review the draft again in November.
ASOP No. 16 revision (actuarial practice concerning disease management programs)		D	D	D	E	The ASB voted in August to expose a repeal to withdraw ASOP 16. Comment deadline: January 15, 2007.

LIFE COMMITTEE ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
ASOP No. 24 revision (compliance with the NAIC life insurance illustrations model regulation)	D	E	E	R	The comment deadline on the exposure draft was August 1. The task force is currently reviewing comments and revising the draft in response. It hopes to present a new draft to the ASB in early 2007.	
Principles-based approach reserves	PD	P	P	P	The task force is monitoring developments in regulation in this area and has begun work on a discussion draft.	

PENSION COMMITTEE ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
ASOP No. 4 revision (measuring pension obligations and determining pension plan costs or contributions)	R	R	R	ED	The ASB approved a third exposure draft in August. Comment deadline: March 1, 2007	
ASOP No. 27 revision (selection of economic assumptions for measuring pension obligations)	R	R	R	R	The committee expects to present a proposed final ASOP to the ASB when the proposed revision of ASOP No. 4 approaches final adoption.	
ASOP No. 35 revision (selection of demographic and other noneconomic assumptions for measuring pension obligations)	R	R	R	R	The committee expects to present a proposed final ASOP to the ASB when the proposed revision of ASOP No. 4 approaches final adoption.	
Selection and use of asset valuation methods for pension valuations	TE	R	R	ED	The ASB approved a fourth exposure draft in August. Comment deadline: March 1, 2007	

OTHER PROJECTS ■						
Subject Area	Qtr. 2006				Comments	
	1	2	3	4		
Enterprise risk management (ERM)	PD	PD	PD	PD	The task force has begun work and will present its recommendations to the ASB in November.	

Legend: **PD**—Planning/Discussion **P**—Proposal for Standard **D**—Drafting **E**—Exposure Draft
SE—Second Exposure Draft **TE**—Third Exposure Draft **R**—Revisions/Redrafting **F**—Final Pronouncement **DS**—Development Suspended

■ ASOP No. 16 Recommended for Withdrawal

ASOP No. 16, *Actuarial Practice Concerning Health Maintenance Organizations and Other Managed-Care Health Plans*, was recommended for withdrawal by the Task Force to Revise ASOP No. 16 under the direction of the ASB Health Committee.

After review by the Board in August, it was decided that given the evolution of HMOs and managed care health plans over the past fifteen years, much of the information in the standard was dated. Further, the standard delves into more detail and educational background than generally expected in an ASOP. While this type of information and guidance was likely necessary at the time it went into effect in 1990, many of the issues included in the standard are commonplace today. A notification of the repeal of ASOP No. 16 was sent to the actuarial community in November. The comment deadline is January 15, 2007.

■ Looking Ahead...

The ASB will review the following documents at its November 28–30 meeting:

- Proposed revision of ASOP No. 3, *Continuing Care Retirement Communities* (exposure draft)
- Proposed revision of ASOP No. 38, *Using Models Outside the Actuary's Area of Expertise (for All Practice Areas)* (final)

■ Meeting Schedule of the Actuarial Standards Board

November 28–30, 2006

February 22–23, 2007 (Phoenix)

June 27–28, 2007

September 2007 (TBD)

All ASB meetings are open to the public, and attendance by interested parties is encouraged. Except for where otherwise noted, meetings take place at the American Academy of Actuaries' office in Washington, D.C. Please contact the ASB office at asb@actuary.org for more information.

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