

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q3 2010

ASB Approves Final ASOP No. 35 Revision

At its September meeting, the Actuarial Standards Board approved a final revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. The ASB adopted ASOP No. 35 in 1999 as one of several standards designed to provide guidance on key elements in measuring pension obligations. The Board first revised ASOP No. 35 in 2007 to conform with simultaneous revisions made to ASOP No. 4, *Measuring Pension Obligations*. However, as mortality rates continued to decline over time, concern increased about the impact of potential future mortality improvements on the magnitude of pension commitments. Therefore, the ASOP underwent another revision to provide further guidance with respect to mortality improvement, clarify language regarding disclosures, and to conform to current ASOP format. The standard will be effective for any actuarial valuation with a measurement date on or after June 30, 2011.

ASB Approves Exposure Draft of ASOP No. 2 Repeal

The ASB approved an exposure draft of a repeal of ASOP No. 2, *Recommendations for Actuarial Communications Related to Statements of Financial Accounting Standards Nos. 87 and 88*. ASOP No. 2 was issued by the Interim Actuarial Standards Board in 1987 in response to the promulgation of what were then known as Statements of Financial Accounting Standards Nos. 87 and 88. The methodology in those accounting statements was controversial at that time and the profession needed guidance as to how to respond. However, after the ASB Pension Committee reviewed ASOP No. 2 and compared its six sections to ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, it concluded that ASOP No. 2 was redundant with ASOP No. 4, and should be repealed to avoid confusion. The exposure draft is available for comment until November 30, 2010.

ASOP No. 41 Returned to General Committee for Further Revision

The ASB also reviewed a proposed final revision of ASOP No. 41, *Actuarial Communications*, at its September meeting. In December 2009, the ASB approved a second exposure draft of a revised ASOP No. 41, reflecting significant modifications of the first draft. Thirty-seven comment letters were received in response. The proposed final revision reflected clarification to the guidance within the standard, in particular to recognize that in some internal and informal settings complete disclosure of all applicable supporting information is neither practical nor necessary. Accordingly, section 3.3, Specific Circumstances, was moved to section 3.5 and expanded to provide guidance in these situations. The ASB returned the draft to the General Committee to make further revisions to the proposed language in this section and will review the draft again at its December 2010 meeting.

ERM Task Force to Develop Two ASOPs

The ASB participated in an education session led by ERM Task Force chair, David Ingram, to discuss issues surrounding enterprise risk management. As a result, the Board approved the development of two ERM ASOPs on “risk evaluation” and “risk treatment,” with the initial step being the creation of two discussion drafts for review in March 2011.

ASB to Meet December 9-10 in Washington

The next scheduled meeting of the ASB will be held December 9-10, 2010 at the Academy offices in Washington.