

ACTUARIAL STANDARDS BOARD QUARTERLY REPORT FOR Q4 2009

ASB Approves Second Exposure Draft of ASOP No. 41 Revision

The ASB approved a second exposure draft of ASOP No. 41, *Actuarial Communications*, at its December meeting. In September 2008 the ASB approved the first exposure draft of a revised ASOP No. 41 and received twenty-three comment letters. Although majority of the commentators were supportive of the effort to revise the ASOP, some indicated that the first draft was unclear as to when an actuarial report needed to be issued and had some deficiencies in regards to oral communication, and various other areas. The ASB has reviewed the comments and redrafted the ASOP. It feels a second exposure is warranted. The second exposure draft is available for comment until March 31, 2010 and can be viewed at www.actuarialstandardsboard.org.

Pension Committee Presents Revision of ASOP No. 35

The ASB approved a technical correction to ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations* at its December meeting. The change only affects sections 3.2, 3.5.3, and 4.1.1 of the ASOP and its effective date. The key changes are as follows: 1) Section 3.5.3 has been revised to state that if a mortality assumption is used, the actuary should include an assumption as to future mortality improvement. It also provides examples of methods of incorporating mortality improvement; 2) A sentence has been added in section 4.1.1 requiring disclosure of a description of the provision made for future mortality improvement; and 3) The revision is proposed to be effective for actuarial valuations with measurement dates on or after June 30, 2011. The delayed effective date was chosen in recognition of the forward planning process used by many plan sponsors in budgeting pension costs. The revised exposure draft can be viewed on the ASB website.

ASB Approves New Life Proposal

The ASB approved a proposal presented by the Life Committee on the construction and use of life insurance and annuity models. The standard would provide guidance to the actuary in such areas as a) selecting, designing, developing or modifying an appropriate model, b) validating the model, c) choosing assumptions, d) illustrating uncertainty, and e) establishing appropriate modeling governance and controls. The Life Committee plans to present an exposure draft to the ASB in late 2011.

ASB Approves ERM Task Force & Proposal

The ASB approved a Task Force on Enterprise Risk Management (ERM) to begin assembling a document that clarifies all of the existing standards that apply to ERM work, and to identify additional specific areas of ERM practice (if any) where future standards might be developed. In addition, the task force will consider developing a proposal to draft one or more of the identified standards. The task force plans to present its initial report to the ASB in June.

ASB to Meet March 8-9 in Washington

The next scheduled meeting of the ASB will be held March 8-9, 2010 at the Academy offices in Washington.