



AMERICAN ACADEMY *of* ACTUARIES

April 9, 2004

ASOP Introduction
Actuarial Standards Board
1100 Seventeenth Street, NW, 7th Floor
Washington, DC 20036-4601

Re: Comments on ASB Proposed Introduction to the Actuarial Standards of Practice

Ladies and Gentlemen:

On behalf of the American Academy of Actuaries'¹ Pension Practice Council, I am submitting comments on the Proposed Introduction of the Actuarial Standards of Practice. Members of the council appreciate the opportunity to comment and do so from the perspective of actuaries practicing in the field of pensions and other post-employment benefits.

Comments

The ASOP Introduction task force requests comments on all areas of this proposed Introduction, and in particular requests attention to specific areas. These comments are organized into the three specified areas, with a fourth titled 'Other.'

1. Does the proposed Introduction appropriately describe the purpose and use of the standards? If not, how should it be changed?
 - In general, we believe that the proposed introduction does provide an appropriate description of the standards. It might be helpful however to include more specific examples. For example: Section 4.4.1 discusses the inappropriateness of conforming to an ASOP in some situations. A specific illustration of this deviation clause would be helpful.
2. Are the explanatory subsections in section 4 of the proposed Introduction helpful in understanding commonly used terms and concepts? Do they describe those terms and concepts appropriately? If not, how should they be changed?

¹ The American Academy of Actuaries is the public policy organization for actuaries of all specialties within the United States. In addition to setting qualification standards and standards of actuarial practice, a major purpose of the Academy is to act as the public information organization for the profession. The Academy is nonpartisan and assists the public policy process through the presentation of clear actuarial analysis. The Academy regularly prepares testimony for Congress, provides information to federal and state elected officials, regulators and congressional staff, comments on proposed federal and state regulations and legislation, and works closely with state officials on issues related to insurance. The Academy also develops and upholds actuarial standards of conduct, qualifications and practice, and the Code of Professional Conduct for all actuaries practicing in the United States.

- The last sentence of Section 4.1 reads: “It is inappropriate for an actuary or any other user of an ASOP to make a strained interpretation of the requirements of an ASOP.” The converse is also true and worth mentioning, namely: It is inappropriate to for an actuary or any other user of an ASOP to literally interpret an ASOP to reach a conclusion that in reality constrains common sense.
3. Are there additional topics that should be included in the Introduction to the standards? If so, what are they, and how should they be addressed?
- It might be helpful to include a brief description of compliance guidelines, their relationship to ASOPs, the reasoning behind them, and why most have been repealed.
 - Additionally is might be helpful to include an explanation of practice notes published by the Academy, their relationship to ASOPs, and where to find them.
4. Other
- Allowing professional judgment is discussed in section 4.3.2 and is mentioned elsewhere in the introduction. We believe this is appropriate but would suggest that it be emphasized and discussed earlier in the proposed introduction in either section 1 or section 3.
 - The last sentence of section 3.1.6 reads: “Similarly, two actuaries could follow generally accepted practice, both using reasonable methods and assumptions, and reach appropriate results that appear to be substantially different. We believe that the sentence should read ‘.... results that appear to be and in fact could be substantially different.’

We want to thank you for this opportunity to share our comments on this document. Please contact Heather Jerbi, the Academy’s pension policy analyst (202-785-7869; Jerbi@actuary.org), if you have any questions or would like more information.

Sincerely,

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American Academy of Actuaries