

Tom Lowman notes from a portion of the 3/8/17 ASB meeting. These notes are Tom's own notes and not approved by any actuarial organization.

The ASB Pension Committee Chair talked about pension committee projects:

Two pension projects:

(1) Risk ASOP they have reviewed most of comments from second exposure draft in last two days. Expect to present as a final ASOP (next step). Likely done by September ASB meeting.

(2) Respond to ASB Pension Task force recommendations: Pension Committee has not decided how to disclose solvency value. The question was asked by the Pension Committee on how broadly to allow this measure to be defined and maybe allowing it to be less uniform across plan types (I'll skip ERISA plan issues in my summary).

ASB Pension Task Force wanted solvency values. Pension Task Force suggested US Treasuries. ASB Pension Committee is now pushing back (maybe even 5% type of fixed income rates might be ok with Pension Committee) vs. Task Force idea that using Treasuries would measure risk and be a proxy of settlement rate.

Issue is impact of release of settlement number and not the cost to calculate. ASB apparently not that concerned about impact and thinks a well worded description of what the number is and is not should solve the problem (I disagree). Board thinks it (Treasury basis) is useful information. ASB asked whether any initial misuse would eventually end? Somebody said no, it will be a political problem.

The Pension Committee Chair thought initial resistance for public sector area has been reduced (an ASB member challenged that thought).

Does disclosure create risk for plans that should be shut down (they will be shut down)? That is a political determination.

Question ask about whether there are comparability needs? Pension Committee Chair said this is the job of GASB not ASB.

Board knew there would be push back on Treasury based solvency value by Pension Committee. Chair liked eloquence of Treasury basis and does not know the risk of well managed plans being frozen because of disclosure. Some really don't see how it could be misused.

The Pension Committee Chair basically asked to change the motion so Treasury Rate not required. ASB still wants to use Treasuries but asked Pension Committee to provide guidance on disclosure (about how to avoid misuse). ASB wanted comments on risk to plans - part of public debate that ASB pension committee might not be best at understanding.

Board is open to change but great reluctance to go against prior decisions. The Pension Committee Chair asked for (and ASB agreed) to let ASB pension committee draft two versions. One is the Task Force recommended Treasury basis and one is a more flexible rate. Yet ASB does not want to let people think this is opening up the entire debate. They still want a solvency value.

I think it will be very difficult for the Pension Committee to write a non-Treasury based alternative that ASB will approve and most of our clients will like.

Other topics (discussed before pension topics):

Life is thinking about adding a standard about mortality improvement like what is in ASOP35.

Pension Risk ASOP to be discussed 9/20-21.

Modeling and 4, 27, 35 to be discussed at 12/5-6 meeting.

They are forming a task force to look at Big Data. Will answer questions like whether there is a need for new standards and whether current and proposed standards (e.g. modeling) are too restrictive.