



January 9, 2015

Government Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Re: Project 34-1E - Addendum to DF&A Comment Letter

Ladies and Gentlemen of the Board:

DF&A is an independent actuarial firm headquartered in the San Fernando Valley of Los Angeles.

We are submitting this addendum because we wish to urge the Board to either vote "No" on Board Discussion Question 1 as set forth in Memorandum Issue 2, Paper 4 of the December, 2014 meeting, or to pass a modified version of the recommended language.

We believe that the Board's ultimate goal is to establish an OPEB standard that is in conformity with the Actuarial Standards of Practice (ASOPs), and we support that goal.

ASOP 1, the overarching ASOP that defines what is meant by compliance with all the other ASOPs, says in Section 1 (Overview):

"ASOPs are binding on members of the U.S.-based actuarial organizations when rendering actuarial services in the U.S. While these ASOPs are binding, they are not the only considerations that affect an actuary's work. Other considerations may include legal and regulatory requirements promulgated by employers or actuarial organizations, **evolving actuarial practice, and the actuary's own professional judgment informed by the nature of the engagement. The ASOPs provide a basic framework that is intended to accommodate these additional considerations.**" (bolding added)

ASOP 1 then goes on to define what is meant by certain widely-used terms in other ASOPs such as "must", "should", "should consider", and "deviate". If an actuary deviates from a "must" or a "should" (but not a "should consider"), he or she must disclose such deviation. Having done so, he or she is in compliance with the ASOP.

The bolded language in our citation from ASOP 1, above, indicates that the Actuarial Standards Board is aware that however well-written the guidance, there will be times that the guidance will not be appropriate in a given practical situation. And the legal and regulatory requirements are constantly changing, much more rapidly than the ASOPs can be amended. Thus,

actuaries are given the flexibility to apply their professional expertise in situations where the guidance is either not on point or even at odds with the facts of the situation.

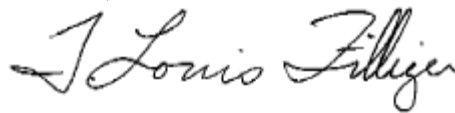
One can easily understand how the Board might believe that to permit compliance with the ASOPs only by following the guidance contained therein, would be to strengthen the resulting accounting standards. In actual fact, just the opposite would result. Actuaries would be prevented from using their professional judgment and would be straitjacketed by faulty, outdated or inapplicable guidance; such result was not the intent of the Actuarial Standards Board. We are aware that the Retirement Practice Committee of the American Academy of Actuaries (AAA) supports this approach; however, they do not speak for the AAA membership as a whole in this particular matter.

We would like to suggest that the Board consider an alternative approach. Rather than specifically use the word "deviation", we suggest that in cases where the Board has specifically deliberated on a given topic and does not want an actuary to be able to deviate from the Board's conclusions for any reason, that the specific paragraph of the standard state that "For purposes of this paragraph, the actuary must follow the *guidance* set forth in ASOP x". This, in our opinion, is preferable to a shotgun approach of requiring the actuary to follow the guidance of the ASOP in all situations, including many that the Board may have not even considered.

If passed with the project staff's recommended language, Board Discussion Question 1 would eliminate one key method of compliance but leave the remaining body of the ASOP standing. In our opinion, this would only serve to weaken the proposed standard.

If you have any questions or need additional information, please call me at (818) 718-1266. We appreciate the opportunity to submit our comments.

Sincerely,
DEMSEY, FILLIGER AND ASSOCIATES

A handwritten signature in cursive script that reads "T. Louis Filliger".

T. Louis Filliger, FSA, EA, MAAA
Partner & Actuary