

Comment #1 – 2/1/10 – 6:32 p.m.

This email presents my comments on the proposed revision of ASOP #35 on the Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations.

I emphasize that my comments are personal and do not necessarily reflect the views of my employer or of any of the actuarial bodies of which I am a member.

I am an enrolled actuary, a Fellow of the Institute of Actuaries (London), a Fellow of the Society of Actuaries, and a Member of the American Academy of Actuaries.

I have only one recommendation:

Wherever the word “improvement” appears, replace it with the word “change.”

Actuaries should reflect anticipated changes in future mortality, regardless of if those changes are or are not improvements.

There is no guarantee that recent trends in mortality improvement will continue to occur.

Even if they continue to occur for the population as a whole, the specific population covered by a particular pension plan may experience significantly different changes in mortality experience. These could be due, for example, to factors applicable to particular locations, for example, long term exposure to radiation, contamination, and carcinogens.

Even for the population at large, it is inappropriate to treat mortality changes as always ratcheted to improve, rather than to get worse. We have yet to experience a pandemic from Avian or H1N1 influenza. If a pandemic occurred, from those or other diseases, mortality could get significantly worse, albeit temporarily.

Without the revision in wording I suggest, the Academy is forcing actuaries who believe mortality will get worse for some people covered by a pension plan, either to ignore such a belief, or to reflect through use of the deviation clause.

Best Wishes

Jan Harrington, EA, FIA, FSA, MAAA