

Comment #3 - March 29, 2010 - 2:54 p.m.

ASOP No. 35 Revision
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

To the Members of the Actuarial Standards Board:

Buck Consultants is a leading global employee benefits and human resources consulting firm that employs many actuaries who are subject to the Actuarial Standards of Practice. We are writing in response to your request for comments about proposed revisions to ASOP 35.

We do not agree that it is appropriate to require an assumption as to future mortality improvement when a mortality assumption is used. Among all the demographic assumptions that actuaries make, whether explicit assumptions or implicit assumptions, mortality is the *only* assumption with regard to which some actuaries are inclined to require all actuaries to discard current experience in favor of future expectations. No one suggests that actuaries should be required to replace current disability experience, or current termination experience, or current benefit option experience, or current marriage percentages, with future expectations. With regard to all other demographic assumptions an actuary is free to assume future changes if that is his or her expectation, but there is no requirement to do so.

The reasons that mortality is singled out from all the other demographic assumptions for special treatment is that some actuaries believe that future improvements in mortality are more-or-less inevitable and are at least quasi-predictable. They believe both of these propositions because they are supported by recent experience; actuaries do love looking out the rear window for making future predictions. But as recent economic times show, that is not necessarily the best predictor of future events.

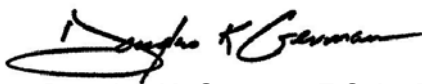
Not everyone agrees that mortality will continue to improve. For example, the New England Journal of Medicine published an article entitled "A Potential Decline in Life Expectancy in the United States in the 21st Century"¹. The abstract of the article read "Forecasts of life expectancy are an important component of public policy that influence age-based entitlement programs such as Social Security and Medicare. Although the Social Security Administration recently raised its estimates of how long Americans are going to live in the 21st century, current trends in obesity in the United States suggest that these estimates may not be accurate. From our analysis of the effect of obesity on longevity, we conclude that the steady rise in life expectancy during the past two centuries may soon come to an end."

¹ Authored by S. Jay Olshansky, Ph.D., Douglas J. Passaro, M.D., Ronald C. Hershow, M.D., Jennifer Layden, M.P.H., Bruce A. Carnes, Ph.D., Jacob Brody, M.D., Leonard Hayflick, Ph.D., Robert N. Butler, M.D., David B. Allison, Ph.D., and David S. Ludwig, M.D., Ph.D.. Volume 352:1138-1145, March 17, 2005.


We disagree that pension and OPEB plans (which are incorporated by reference in ASOP 6) or their sponsors should be forced to measure plan liabilities using hypothetical future changes in any assumption. The current standard which provides that the actuary should consider mortality improvement is more than sufficient. *Every* assumption we make will not accord with future experience and many of them will have a much more dramatic year-by-year impact on the results of the measurement than the mortality assumption; we see no justification for selecting it for unusual treatment. What is important is to have systematic, rational methods in place for measuring and addressing gains and losses as they arise.

While we would support clearer guidance from the ASB regarding keeping aging mortality tables up to date with recent experience (whether that requires increases or decreases in tabular mortality rates), we do not support mandating hypothetical future improvements based on past experience.

Sincerely,



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