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ASOP No. 35 Revision
Actuarial Standards Board
1850 M Street, Suite 300
Washington DC 20036-4601

Comment # 7 - April 7, 2010 - 7:37 p.m.

Subject: Exposure Draft - Proposed revision of Actuarial Standard of Practice No. 35

Mercer is pleased to provide our response to the proposed revisions to ASOP 35. These comments were prepared by Mercer's Actuarial Resource Network, a group of senior actuaries in the Retirement Practice area representing all of the U.S. geographic areas in which Mercer operates, with input and comments from other senior Mercer actuaries.

We would like to thank the Actuarial Standards Board (ASB) for their efforts in this important area, and we agree that discussion of future mortality improvement is an integral and important part of the mortality assumption.

Our only comment concerns the new language in section 3.5.3. Specifically, we recommend that the flush language following 3.5.3.c be amended as follows (deletions are struck through, additions are underscored):

If a mortality assumption is used, the actuary should ~~include an~~ also explicitly identify and incorporate an assumption as to expected changes in future mortality experience ~~improvement~~. Examples of acceptable methods for incorporating a ~~the~~ mortality improvement assumption might include a generational projection, ~~and a~~ static projection for an appropriate period ~~(such as the duration of the liabilities)~~ or another approximation that is appropriate to the circumstances.

Rationale. While we agree that inclusion of a mortality improvement assumption is important, the wording as originally proposed could be misconstrued to treat the examples as the only permissible approaches to mortality improvement; we believe that it is important that actuaries retain the flexibility to consider other practical solutions or estimates where appropriate, as permitted by sections 3.3.4, 3.3.5 and 3.10 of ASOP 35.

Rather than prescribe specific mortality tables or adjustments, we believe that the standard should reinforce the role of actuarial judgment; however, that judgment should be subject to

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full and transparent disclosure so that it can be easily evaluated. For example, we note that information supporting the particular assumption choice could reasonably be considered part of what ASOP 41¹ requires to be provided “with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary’s work as presented in the actuarial report.”

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact Stephen Alpert (212 345 8566) or myself (212 345 7125).

Sincerely,

A handwritten signature in black ink that reads "Ethan E. Kra".

Ethan E. Kra, FSA, EA
Senior Partner

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

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¹ The proposed revision to ASOP 41 retains this language, although locates it in a different place. Thus, under either the current or proposed ASOP 41, the actuary will be required to disclose this information.