

Comment #6 – 4/27/11 – 7:01 p.m.

I have comments on the January 2011 Exposure Draft of ASOP 27, Selection of Economic Assumptions for Measuring Pension Obligations; these comments are my own, and do not necessarily reflect the views of my firm:

- Section 3.6.3.e states that expected investment expenses may be reflected by a reduction in the investment return assumption. Couldn't this apply to administrative expenses as well as investment expenses? Section 3.11.c of the January 2011 ASOP 4 Discussion Draft (when combined with the Section 2.11 definition of Expenses) says it could.
- I agree with the first sentence of Section 3.15.3 (regarding considering cost effectiveness when setting assumptions). It appears that this sentence is supposed to be supported by the second sentence of the section, and that the third sentence provides further support with an example. I think the third sentence is effective, but the second sentence fails to support the cost effectiveness consideration. Instead, it mistakenly substitutes the materiality consideration for cost effectiveness. Indeed, it looks almost like a repeat of the second sentence of the preceding section – 3.15.2 on Materiality. (Rather than supporting the cost effectiveness discussion, the inclusion of this sentence seems literally to put a materiality constraint on the cost effectiveness consideration, rendering it useless when compared to Section 3.15.2.) I would suggest deleting this sentence and replacing it with a sentence that actually gets to the matter of cost effectiveness – perhaps by some comparison of the value of the improvement of results from assumption refinement versus the cost of such refinement (in terms of actuarial and other fees).

Thank you for your consideration of these comments.

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