

## Appendix 2

### Comments on the Exposure Draft and Responses

The exposure draft of this proposed revision of this ASOP, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, was issued in December 2009 with a comment deadline of March 31, 2010. Seven comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The Pension Committee carefully considered all comments received, reviewed the exposure draft and proposed changes. The ASB reviewed (and modified, where appropriate) the proposed changes.

Summarized below are the significant issues and questions contained in the comment letters and the responses.

The term “reviewers” in appendix 2 includes the Pension Committee and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in the exposure draft.

GENERAL COMMENTS	
Comment	Several commentators opined that not everyone agrees that mortality will continue to improve in all circumstances and suggested that it be made clear that assumed mortality improvement could be positive, negative, or zero. Commentators also suggested that “mortality improvement” be changed to “mortality change.”
Response	The reviewers noted that the current ASOP No. 35 uses the term “mortality improvement” and believe that this term sufficiently encompasses all possible circumstances (positive, negative, or zero). The reviewers clarified the language in section 3.5.3 to reflect circumstances where the actuary, in his or her professional judgment, believes that zero mortality improvement is a reasonable assumption. The reviewers expanded the disclosure requirements in section 4.1.1 to address such circumstances. Further, the reviewers noted in section 3.5.3 that the existence of uncertainty about the occurrence or magnitude of future mortality improvement does not by itself mean that an assumption of zero future improvement is a reasonable assumption.

Comment	Several commentators believed that the current ASOP provides sufficient guidance on addressing mortality improvement and that the proposed changes in format are overly prescriptive. Another commentator thought the enhanced disclosure requirements of the proposed standard are generally appropriate.
Response	The reviewers disagreed about the sufficiency of the current ASOP and believe that the provisions regarding the selection and disclosure of this assumption need more rigor.
Comment	One commentator thought that mortality was being singled out with respect to incorporating future expectations that differ from current experience.
Response	The reviewers disagreed. The first sentence of section 3.1 applies to all demographic assumptions. This sentence is not being modified by the proposed changes to the standard.
Comment	One commentator argued for some relief in the proposed effective date to accommodate the public sector plan assumption review and adoption cycles.
Response	The reviewers used a deferred effective date in the exposure draft in recognition of the practical considerations regarding the assumption-setting process. The reviewers do not believe that exceptions for certain plans or situations are necessary.
Comment	Two commentators asked that section 3.5.3 be clarified to recognize that other methods for incorporating mortality improvement that were not mentioned as examples could be appropriate.
Response	The reviewers recognized the commentators' point and concluded that enumeration of any methods was not necessary to explain the intent of the ASOP. The reviewers removed the examples for incorporating mortality improvement from the section.
Comment	One commentator suggested that clearer guidance be provided regarding keeping aging mortality tables up to date with recent experience.
Response	The reviewers agreed and expanded section 3.5.3 to address the distinction between mortality improvement prior to the measurement date and mortality improvement subsequent to the measurement date. The reviewers also clarified in section 4.1.1 that the disclosure of the mortality assumption should contain sufficient detail to permit another qualified actuary to understand the provision made for future mortality improvement.

Comment	One commentator suggested that the standard make clear that the actuary could decide not to include an assumption as to future mortality improvement based on materiality.
Response	The reviewers believe that the existing language on materiality in section 3.10.1 is clear and sufficient, and no change is necessary.
Comment	One commentator, noting the link between ASOP No. 6, <i>Measuring Retiree Group Benefit Obligations</i> , and ASOP No. 35, indicated that the use of mortality improvement assumptions presents complexities for retiree medical evaluations due to the coordination of mortality improvements and changes in aging factors.
Response	The reviewers recognized the complexity of this issue and referred it to the Retiree Group Benefits Subcommittee of the ASB Pension Committee to determine whether any additional guidance in ASOP No. 6 is warranted.
Comment	One commentator suggested changing the reference to <i>Statement of Financial Accounting Standards No. 87</i> in section 3.8 to recognize the recent codification of the FASB Accounting Standards.
Response	The reviewers note that the current revision of guidance regarding the mortality assumption is limited to that topic. Other aspects of ASOP No. 35 are currently under review by the Pension Committee, and this comment will be addressed as part of that review.