



AMERICAN ACADEMY *of* ACTUARIES

January 31, 2014

ASOP No. 35 Revision
Actuarial Standards Board
1850 M Street, NW Suite 300
Washington, DC 20036-4601
comments@actuary.org

RE: Proposed Revision of Actuarial Standard of Practice (ASOP) No. 35

To Whom It May Concern:

The Pension Committee of the American Academy of Actuaries¹ appreciates the opportunity to provide comments on the Actuarial Standards Board's (ASB) proposed revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. The Pension Committee commends the ASB for its exposure draft and believes that the overall objectives regarding disclosure of the rationale behind selected assumptions have been met in this proposed revision of ASOP 35.

The Pension Committee would like to offer specific comments as follows:

Sections 2.6 and 2.7 – The language regarding a Prescribed Method may be confusing to some actuaries. It's unclear whether the term “method” applies solely to a method for developing a demographic or non-economic assumption or also to a funding or cost allocation method. We believe funding and cost allocation methods fall outside the scope of this ASOP.

Section 3.1 – The section should state that an actuary is very often able to identify two or more reasonable assumptions. Use of the word “may” could be read to suggest this is an exception, which is not the case.

Section 3.5.1 and Section 3.5.2 – The factors mentioned in 3.5.2(a) would also seem to apply to retirement assumption considerations. In addition, general economic conditions may also affect both retirement and termination assumptions in the short term (such as choosing select and ultimate assumptions).

Section 3.10.2 – It is not clear why the language was changed from “the actuary should establish an appropriate balance between refined methodology and materiality” to “the actuary should

¹ The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

consider the balance between refined assumptions and materiality”. The former language appears to be more appropriate, and is more consistent with the terminology used in 3.10.3.

Section 3.10.3 – This section seems redundant and might better be combined with Section 3.10.2, or at least more clearly distinguished from 3.10.2.

Section 4.1.3 – The term “demographic assumptions” in the first sentence should be in bold font for style consistency.

Section 4.4 – This section should include a statement that the Principal is the party that determines what is confidential or what the actuary may disclose (at least to the extent that the withholding of information is not misleading).

The Pension Committee appreciates the opportunity to comment on this matter and would be happy to discuss any of these items with you at your convenience. Please contact David Goldfarb, the Academy’s pension policy analyst (202-785-7868, goldfarb@actuary.org), if you have any questions or would like to discuss these items further.

Sincerely,

Michael F. Pollack, FSA, MAAA, EA, FCA
Chairperson, Pension Committee
American Academy of Actuaries