

July 31, 2018

Sent via e-mail to comments@actuary.org

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

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

To Members of the Actuarial Standard Board (ASB):

We appreciate the opportunity to comment. This letter documents the response of Principal Financial Group Retirement Actuarial Services to the proposed revision of Actuarial Standard of Practice (“ASOP”) No. 35 Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, as requested in the Exposure Draft (ED) of March 2018.

Principal provides actuarial services and consulting to over 500 defined benefit plans based in the United States. Our Retirement Actuarial Services group is comprised of approximately 25 credentialed actuaries subject to the Actuarial Standards of Practice. This letter was prepared by the author in conjunction with thoughts and opinions from other actuaries within Principal.

We will respond to some questions under the request for comments below.

Question 1: Section 3.4, *Phase-In of Changes in Assumptions*, was added to provide guidance regarding the phase-in of assumptions.

- We request that the ASB provide examples of how a phase-in of assumption changes could be applied.
- We would like the ASB to provide clarification of how a phase-in can work with the requirement that assumptions must be reasonable at each measurement date per Section 3.2.5.

For Example – Does Section 3.3, Range of Reasonable Assumptions, essentially allow for a phase-in of a change in assumption even if the actuary has already determined the ultimate assumption as optimal?

Question 2: Section 3.5.3, *Mortality*, was expanded to provide additional guidance regarding the selection of mortality assumptions.

- Does the removal of the phrase “such as the following” imply that the only factors that the actuary should consider are listed in items (a) through (d)?

Question 3: Section 3.8, *Reviewing Assumptions*, was expanded to provide additional guidance regarding reviewing assumptions.

- No comment.

Question 4: Section 4.1.2, Rationale for Assumptions, was clarified regarding the disclosure requirement for the rationale of assumptions.

- For assumptions that the actuary selects and for non-prescribed assumptions that were selected by another party, disclosure of the information and analysis used to support that assumption is required if the actuary determines the assumption to be reasonable. The disclosure is to be pertinent to the plan's (specific) circumstances; however, in the case of a non-prescribed assumption selected by another party, are generalities involved in the phrase "the actuary's professional judgement" in Section 4.2a (which applies here to assumptions that conflict with reasonability) also acceptable for disclosing an assumption deemed reasonable?

We thank the ASB for the opportunity to comment on the exposure draft. Please contact us directly if you would like to discuss.

Sincerely,



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