July 31, 2018
Sent via e-mail to comments@actuary.org

ASOP No. 27 Revision
Actuarial Standards Board
1850 M Street, NW, Suite 300
Washington, DC 20036

Subject Proposed Revision of Actuarial Standard of Practice (ASOP) No. 27

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. 27 Selection of Economic 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 3.6.3, 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 also 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.

Question 2: *Section 3.13, Reviewing Assumptions, was expanded to provide additional guidance regarding reviewing assumptions.*

No comments.

Question 3: *Section 4.1.2, Rationale for Assumptions, was clarified regarding the disclosure requirement for the rationale of assumptions.*

This expansion now includes assumptions selected by another party and not by the signing actuary. Based on this ED, the actuary also needs to provide rationale that these assumptions are reasonable or not reasonable. In certain instances, assigning reasonability to an assumption set by another party could be challenging or even impossible. For example, if the ASC715 discount rate is 3.50% based on a commonly used yield curve and the plan sponsor chooses to use 4.50%, will this ASOP require the actuary to disclose with rationale that 4.50% is reasonable or unreasonable? We are concerned that this could add further burden to the actuaries for prescribed or third-party assumptions. We understand ASOPs already require the actuary to determine and disclose whether such assumptions significantly conflict with what would be reasonable, so we feel that this expansion is not necessary.

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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Consulting Actuary
Retirement Actuarial Services
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