

Actuarial Standards Board
1850 M Street, Suite 300
Washington DC 20036-4601

July 31, 2019

Subject: Comments on Proposed ASOP on Setting Assumptions (2nd Exposure Draft)

Mercer is pleased to provide our response to the second exposure draft of the proposed ASOP on setting assumptions. These comments were prepared by Mercer's Actuarial Resource Network, a group of actuaries in the retirement practice area representing all of the U.S. geographic areas in which Mercer operates.

We would like to thank the Actuarial Standards Board (ASB) for their efforts in this important area. We believe that this draft is a meaningful improvement over the first. Mercer actuaries participated in the preparation of the Academy's comment letter, and although we support them, we see no need to repeat those comments here. However, we have a few comments, which were developed after that letter was prepared:

Section 1.1 – Purpose

Section 1.2 specifically states that the standard applies when setting assumptions, giving advice on assumptions and assessing reasonableness of assumptions. We believe these three items should also be listed in the purpose, which currently only refers to setting assumptions.

We acknowledge the third paragraph of 1.2; however, that paragraph was apparently not enough to eliminate the need for listing all three in the first paragraph (and we agree with that decision). To avoid any ambiguity – particularly because Section 1.1 precedes the clarification in Section 1.2, and also because the language in the third paragraph of 1.2 has somewhat different language with respect to review of assumptions – we do not think that paragraph should be considered as eliminating the need to list all three items in very first paragraph of the standard.

Section 1.2 – Scope

We appreciate and agree with the intention to have practice-area standards on assumptions supersede this one. However, we remain concerned that the current language will not fully accomplish that intent. Our biggest concern is that when drafting an ASOP, e.g., ASOP 27, considerable thought is given to areas for which guidance is felt to be appropriate and areas for which no guidance is felt to be appropriate. To the extent the general ASOP has language relating to an area which is covered by the scope of the practice-area ASOP, but where the practice-area ASOP is silent, we are concerned that an outside reader may not believe that a conflict exists, and this may create unintended legal exposure for actuaries. In addition, requiring actuaries practicing under a practice-area standard to cross-reference whether any additional

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guidance in the general standard applies seems inappropriate. As such, we suggest that the scope of this ASOP specifically exclude work performed that is subject to the practice-area ASOPs. For example, this could be accomplished by slightly changing the second sentence of the fifth paragraph to “If the actuary determines that services being provided fall under both the scope of this standard and the scope of a practice-area ASOP that establishes guidance on assumption setting or assessing the reasonableness of assumptions, the practice-area ASOP governs.”

General comment:

As noted in our comment letter on the first exposure draft, we believe the background section is very appropriate for multiple reasons and hope that it will survive into the final version.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact Jim Verlautz (612 642 8819) or me (212 345 7257).

Sincerely,



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