

**Comment Received – 9/13/19 – 8:23 p.m.**

**September 12, 2019**

ASOP No. 27 & 35 Revisions  
Actuarial Standards Board  
1850 M Street, NW, Suite 300  
Washington, DC 20036



Re: Comments on ASOP 27 & 35 Second Exposure Drafts

Dear Members of the Actuarial Standards Board,

Thank you for the opportunity to comment on the *Proposed Revision to Actuarial Standard of Practice (ASOP) No. 27* (“ASOP 27”) and *Proposed Revision to Actuarial Standard of Practice (ASOP) No. 35* (“ASOP 35”). The Pension Integrity Project at Reason Foundation offers pro-bono consulting to public officials, labor associations, and other stakeholders to help them design and implement policies that improve public plan solvency and promote retirement security for public sector employees. As such, we frequently interact with public plan actuaries and rely on public pension data to do so.

We appreciate the changes made to the second exposure drafts of ASOPs 27 & 35 as it relates to the phase-in of assumptions, specifically the directive to test the reasonableness of the assumption being phased-in at each measurement date at which it is applied, without regard for future planned changes in the assumption. However, there are two further modifications that we would recommend. One each for ASOP 27 and ASOP 35:

1. ASOP 27 - 3.8.1 Data under Selecting an Investment Return Assumption

We disagree with subsection (c) that historical investment data, especially real and nominal investment return data, is relevant when selecting a return assumption. Past plan performance, and past returns on specific asset classes are not a proper indicator of future returns. This type of “reversion to mean” assumption should be viewed with caution given historical changes in interest rates and a variety of other market conditions that increase uncertainty over longer projection periods. Sections (a) and (b) as standalone descriptors of appropriate investment data would suffice.

2. ASOP 35 – 2.5 Measuring Period

Demographic assumptions are generally examined less frequently than economic assumptions. We believe that the ASB should prescribe a maximum length of time (for example 5 years) between relevant demographic and other noneconomic assumption studies so that pension plans stay up to date on current understanding of costs and trends.

Thank you again for the opportunity to submit comments in support of changes to ASOP 27 and 35. Please do not hesitate to reach out if additional information would be useful.

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