

**Title of Exposure Draft: ASOP No. 27 Selection of Assumptions for Measuring Pension Obligations**

**Comment Deadline: [June 15, 2023]**

Instructions: Please review the exposure draft, and give the ASB the benefit or your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: <http://www.actuarialstandardsboard.org/email/2020/ASB-Comment-Template-Sample.docx>

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to [comments@actuary.org](mailto:comments@actuary.org) and include the phrase 'ASB COMMENTS' in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system's spam filter.

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted to the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

**I. Identification:**

Name of Commentator / Company
WTW

**II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.**

Question No.	Commentator Response
1	We believe the consolidation has generally achieved the goal of not substantively changing guidance in ASOP Nos. 27 and 35, aside from specific changes noted below.
2	We believe that the deletion of guidance about the assumption universe will not affect practice. Assumption universes were generally not constructed before selecting assumptions.

**III. Specific Recommendations:**

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
3.4.5	<p>Update the language to read:</p> <p>Taking into account the purpose of the measurement, significance, and the cost of using refined assumptions, the actuary may determine that it is appropriate to apply a rounding technique to the selected assumption. In such cases, the rounding technique should be unbiased, except as part of a provision for adverse deviation or for another appropriate reason. Any biased rounding technique, and the reason therefore, should be disclosed.</p>	<p>This section indicates that rounding techniques should be unbiased. The section should include a caveat noting that there may be situations in which rounding in a particular manner, such as rounding to add conservatism, may be appropriate despite being biased. Section 3.5.d includes a similar caveat for selecting reasonable assumptions. As written, the actuary would be in violation of the proposed ASOP if the actuary's rounding method is biased in any way, regardless of whether or not the rounding practice is appropriate or reasonable.</p>
3.5.1	<p>Update the language to add "(if any)":</p> <p>The actuary should develop a reasonable assumption based on the actuary's estimate of future experience, the actuary's observation of the estimates inherent in</p>	<p>Section 3.5.c and section 3.5.1 are duplicative. If both sections are retained, section 3.5.1 should include the phrase "(if any)" after "estimates inherent in market data" to be consistent with section 3.5.c, and because there is rarely appropriate market data for most demographic assumptions.</p>

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	<p>market data (if any), or a combination thereof.</p>	
<p>3.13.a</p>	<p>Change “the effective date of the table” to “the midpoint of the years from which data was drawn to develop the mortality table”</p>	<p>This section indicates that mortality improvement may need to be applied from “the effective date of the table” to the measurement date. “Effective date” is not a well-defined term for mortality tables. This section should be updated to indicate that mortality improvement may need to be applied from “the midpoint of the years from which data was drawn to develop the mortality table”. A similar reference to “the effective date of the table” is made in section 4.1.1 and should be treated consistently.</p>
<p>3.25</p>	<p>Remove the following sentence:</p> <p>If preparing such documentation, the actuary should consider preparing such documentation in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary’s work.</p>	<p>This sentence was removed in the last revisions to ASOP Nos. 27 and 35, but it was added back in the Exposure Draft. The use of “should consider” makes it unclear whether or not the action is required. The phrasing of “should consider” in ASOPs was discussed in the Key Changes section of ASOP No. 1 in 2013, as follows:</p> <p><i>The General Committee concluded that a definition of “should consider” is not needed. The terms “must” and “should” are generally followed by an action (for example, “disclose” or “document”). When the term “should consider” is used, the action required to be performed (or to be disclosed as a deviation if not performed) is to consider something. Thus, there is no need to separately define “should consider.” The revised ASOP makes clear that if the actuary considers something the ASOP indicates he or she should consider, but determines that the item being considered is inappropriate or impractical, the actuary has complied with the guidance and there is no deviation to be disclosed.</i></p> <p>The use of “should consider” in section 3.25 is not consistent with the explanation above, in which “should consider” means “think about”. The phrase “should consider” is being used in section 3.25 for the action “document” and how to document, which the explanation above associates with “should”. As written in the Exposure Draft, the actuary could be judged to be in violation of the ASOP if the documentation is not to the level “that another actuary qualified in the same practice area could assess the reasonableness of the actuary’s work”. The potential scope of such documentation is broad and could involve information about proprietary systems and tools. Disclosures are already required for assumptions, rationale for assumptions, changes in assumptions, rationale for changes in</p>

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		assumptions, data deficiencies, etc., so we believe this additional documentation requirement is unnecessary.
4.1	<p>Add ASOP No. 4 to the list as noted below:</p> <p>When issuing an actuarial report within the scope of this standard, the actuary should refer to ASOP Nos. 4, 23, 25, 41, and 51.</p>	<p>The stem of section 4.1 no longer includes ASOP No. 4 in the list of ASOPs to be referenced when issuing an actuarial report. ASOP No. 4 has disclosure requirements and should be included in this section.</p> <p>If ASOP 27 applies to retiree medical plans, ASOP 6 should also be referenced.</p>
4.1.3	<p>Add the highlighted sentence to this section:</p> <p>The actuary should disclose any changes in the significant assumptions from those previously used for the same type of measurement. The general effects of the changes should be disclosed in words or by numerical data, as appropriate. For situations in which both the demographic assumptions and economic assumptions have changed from those previously used for the same type of measurement, the actuary may disclose the general effects of the changes separately or combined, as appropriate. For each assumption that is neither a <b>prescribed assumption or method set by another party</b> nor a <b>prescribed assumption or method set by law</b>, the actuary should include an explanation of the information and analysis that led to the change.</p>	<p>This section no longer includes the statement that “for situations in which both the demographic assumptions and economic assumptions have changed from those previously used for the same type of measurement, the actuary may disclose the general effects of the changes separately or combined, as appropriate.” This statement should be included in this section to specify that the effects of changes are not required to be disclosed individually for every assumption.</p>
4.1.4	<p>Remove the word “economic” from this section</p>	<p>This section as written refers only to economic assumptions. The word “economic” should be removed, as the requirements in this section should apply to all assumptions, not just economic assumptions.</p>
4.3	<p>The word “otherwise” should be removed from section 4.3.b.</p>	<p>Section 4.3.a requires disclosure if the actuary is relying on other sources and disclaiming responsibility for an assumption or method in accordance with ASOP No. 41, while Section 4.3.b requires disclosure if the actuary has “otherwise” deviated materially from the guidance in any ASOP. If section 4.3.a applies to a given situation (i.e., the actuary disclaims responsibility and discloses the reason) the actuary is <i>not</i> deviating materially from an ASOP; rather the actuary is following the ASOP requirements for that particular situation. Section 4.3.b should be fixed to avoid the implication that an actuary following 4.3.a has deviated from the requirements of ASOP 27.</p>


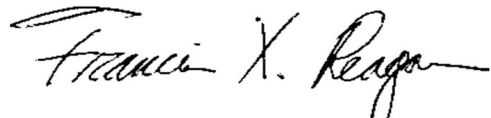
**IV. General Recommendations (If Any):**

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Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
<p>The title of the ASOP and/or the Purpose section should be modified to explicitly indicate whether or not the ASOP applies to retiree medical plans.</p>	<p>ASOPs 27 and 35 include a statement in the Purpose section that the ASOPs supplement the guidance in ASOP 6, implying that ASOPs 27 and 35 apply to retiree medical plans in addition to pension plans. Since the Exposure Draft does not include such a statement, and the title of the ASOP refers only to pensions, the ASOP needs to clearly state whether or not it applies to retiree medical plans in addition to pension plans. Note that the Scope section does include the statement "If the actuary determines that the guidance in this standard conflicts with ASOP Nos. 4 or 6, ASOP Nos. 4 or 6 will govern."</p>
<p>Update the ASOP to not use the terms "material" and "significant" in a manner that is unclear whether they have the same or different meanings and, if different, what difference is intended.</p>	<p>In the Exposure Draft, the word "materiality" was updated to "significance" in some places. It is unclear what difference is intended and the actuary should not have to try to discern whether there is a difference between the intended meanings of the terms as used in the ASOP. Unless a difference is intended the same term should be used throughout. Note that pension actuaries typically avoid using the term "material" as in the accounting context materiality is determined by the auditors, not actuaries.</p>

**V. Signature:**

Commentator Signature	Date
	6/12/2023
	6/12/2023