

Title of Exposure Draft: ASOP 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 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
Kathleen A. Riley, MAAA, FSA, EA, for Segal

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

Question No.	Commentator Response
1	We agree that the consolidation of ASOP Nos. 27 and 35 has not substantively changed the guidance regarding assumptions.
2	We agree that the deletion of the guidance about the assumption universe does not affect practice.

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)
1.2	Replace language in first sentence with “...measurement of defined benefit pension or retiree group benefit plan obligations”	The current stated scope of ASOP 27 is limited to measurement of pension plan obligations. However, ASOP 6 specifically directs actuaries doing retiree group benefit plan valuations to ASOP 27 (and ASOP 35) for guidance on selecting assumptions. There is an inconsistency here, which could be resolved by simply noting in the Scope of ASOP 27 that it applies to defined benefit retiree group benefit plan obligations, in addition to pensions.
3.7	Replace last sentence with “When evaluating these factors, individually or in combination, to develop the investment return assumption, the actuary may take into account a broad range of data and other inputs, including the judgment of investment professionals.”	Factors listed in previous sentence should not just be evaluated individually and then combined.
3.9.2.d	Replace “an actuary” with “the actuary”	Make consistent with the style in the standard.
3.13	Change to “When selecting a mortality improvement assumption, the actuary should reflect the effect of mortality improvement (which may be positive, negative, or zero) both before and after the measurement date .”	Make consistent with beginning of 3.10, 3.11., 3.12, etc.

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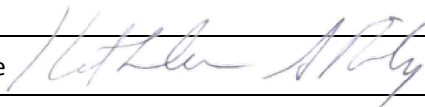
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3.17	Delete "When measuring pension obligations,"	Unnecessary given that the scope of the standard applies to measurement of pension obligations.
3.17.3	Replace "salary" with "compensation"	"Compensation" is used throughout the standard, while "salary" only appears once, in this section.
3.18	Delete "economic" in fourth paragraph	In consolidating ASOP 27 and 35, this should apply to all assumptions, not just economic ones.
4.1.4	Delete "economic"	In consolidating ASOP 27 and 35, this should apply to all assumptions, not just economic ones.

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
"Materiality" vs "Significance" – Sections 3.3, 3.4.3, 3.4.4	The exposure draft replaces "materiality" with "significance" in sections 3.3 and 3.4.4, but keeps "materiality" in section 3.4.3. If there is preference for one term over another, the standard should refer to that term consistently throughout.
Assumption format – Section 3.4.4	This section contains language currently in 3.2.3 of ASOP 35. ASOP 35 contains a definition of "Assumption Format" that is not present in the proposed standard. It may be useful to add this definition.
Discount rate assumption – Section 3.8	Current standard includes the following: "A discount rate is used to calculate the present value of expected future plan payments." It may be useful to keep this language.
Compensation increase assumption – Section 3.9	Current standard includes the following: "It may be a single rate, it may vary by age or service, or it may vary over future years." It may be useful to keep this language.

V. Signature:

Commentator Signature 	Date June 15, 2023