

November 14, 2014

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

Re: Request for Comments - ASOPs and Public Pension Plan Funding and Accounting

Dear Sir or Madam:

This letter is the response of Towers Watson to the request for comments regarding ASOPs and public pension plans. Towers Watson is a global human capital and financial management consulting firm specializing in employee benefits, human capital strategies, and technology solutions. Towers Watson employs approximately 14,000 associates on a worldwide basis, over 1,100 of whom are members of U.S. actuarial bodies subject to the standards. The undersigned have prepared our company's response with input from others in the Company.

Our comments generally support four central themes that we believe are critical for the profession and should be reflected in all Actuarial Standards of Practice.

- The ASOPs should be built upon the fundamental premise that an actuary needs to apply judgment based on the facts and circumstances of each particular situation. No written standard can anticipate every situation that actuaries will confront. In recognition of this fact, the standards should not be overly prescriptive and should not seek to substitute rules for the actuary's reasonable professional judgment.
- The ASOPs should set forth basic professional standards, not best practices. The ASOPs have been and will be used against members of our profession in litigation. Incorporating best practices into the ASOPs will inevitably lead to characterization of those practices as minimum acceptable standards in litigation and client disputes. This places actuaries at unnecessary and significant risk. While we support the efforts of the actuarial profession to encourage the use of best practices, we do not believe that the ASOPs are the appropriate means to achieve that objective.
- The ASOPs should not impinge upon the terms of the engagement between an actuary and his or her Principal. Actuarial services subject to the standards are already highly regulated by governmental and other authoritative bodies. The terms of engagement are based upon a mutual understanding of those requirements by the actuary and the Principal. The ASOPs should not require the actuary to perform additional work that is outside the scope of the engagement, is not requested by the Principal, and for which the actuary is unlikely to be compensated. Doing so can also lead to the unintended consequence of Principals using non-actuaries, not subject to ASOPs, for activities that should be the province of actuaries.
- The ASOPs should not be written or interpreted in a manner that allows readers to presume that actuaries serve the "general public." Our company's actuaries are engaged to serve the company's

clients. While members of the public who are not our clients may benefit from our work, we nevertheless perform and deliver this work only for our client. No other person or entity can expect to rely on our work. We strongly believe that any ASOP that explicitly provides for or allows a presumption that actuaries perform work for the general public will expose actuaries to unwarranted and unmanageable risk.

We commend the Board for seeking broad input from the profession before embarking on this comprehensive review. Such an approach should produce a constructive dialogue and result in an end product that reflects varied points of view and is accepted by the profession.

Towers Watson has limited involvement with public plan funding and accounting and therefore we do not offer a view on whether additional guidance is needed. However, we have great interest in the ASOPs as they apply to other plans and believe it is critical that any changes made for public plans not create additional burdens or requirements for private plans.

As alluded to in the request for comments, private plans are already subject to extensive rules outside of the ASOPs for both funding and accounting. The ASOPs should recognize and complement this. ASOPs should not duplicate rules set by others with the authority to do so and they certainly should not conflict with those rules. If the Board concludes that guidance is lacking and needed for public plans it should take steps to ensure that such guidance does not interfere with the existing balance between ASOPs and external rules that currently exists for private plans. This could be done through separate ASOPs that apply only to public plans or through consolidated ASOPs that clearly and emphatically state that certain provisions or sections do not apply to private plans.

Thank you for this opportunity to comment. If you have any questions concerning our comments, please contact either of us directly.

Sincerely,



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