

December 30, 2015

ASOP No. 21 Revision
Actuarial Standards Board
1850 M Street NW, Suite 300
Washington, DC 20036

Dear Sir or Madam:

This letter is the response of Towers Watson to the Exposure Draft (“ED”) of the Proposed Revision of Actuarial Standard of Practice (“ASOP”) No. 21 – Responding to or Assisting Auditors or Examiners in Connection with Financial Audits, Financial Reviews, and Financial Examinations.

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 15,000 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 should apply to the ASOPs that can be found on our website at <http://www.towerswatson.com/en/north-american-retirement-principles>. We offer the following responses with respect to the questions specifically raised in the ED:

1. Is the scope limitation to financial audits, financial reviews, and financial examinations clear and appropriate?

Yes, we believe that the scope appropriately captures the interactions with auditors and examiners that should be covered by the ASOP.

2. Does the proposed revision appropriately reflect the changes in financial audits, financial reviews, and financial examinations that have occurred since the current version of ASOP No. 21 was adopted in September 2004?

Yes, we believe that the ED reflects the evolution of practice since the ASOP was last updated.

3. Does the proposed revision accurately describe the responsibilities of the reviewing actuary and the responding actuary?

We believe that the ED appropriately describes the roles of the reviewing and responding actuary. However, we believe that the focus of the ED should be more balanced between the responsibilities of the reviewing actuary and those of the responding actuary, and that the language needs to be stronger.

As written, we believe that there is not sufficient focus on the responsibilities of the reviewing actuary. In particular we believe that ED should state that the reviewing actuary should limit the information request only to that information required to review the work of the responding actuary in

accordance with the scope of the audit. In our experience as the responding actuary, we have seen information requests expand substantially in recent years, and the intent of such requests seems to be to enable the reviewing actuary to replicate as opposed to review the responding actuary's work. Unless the scope of the audit is replication, such information requests are generally inappropriate. We believe that Section 3.5.1 should contain a stronger statement in this regard, beyond simply "the reviewing actuary should consider whether the information requested is within the scope of.....".

Similarly, section 3.5.2.c should be expanded so that the responding actuary not only "considers" whether the request is within the scope of the audit, but is also empowered to "push back" when the request is clearly beyond that scope. This protects everyone's best interests – those of the reviewer, the responder, and their respective principals.

4. Does the proposed revision give appropriate guidance to both the reviewing actuary and the responding actuary involved in a financial audit, financial review, or financial examination?

Yes, with the exception of the guidance regarding the information request noted above.

In addition to these responses, we note that in section 3.5.4, the language is that the responding actuary should be prepared to discuss with the reviewing actuary the data, methods and models used. We suggest this be modified to make it clear that the descriptions the responding actuary provides be adequate for the reviewing actuary to be able to sample-test the appropriateness of the assumptions and methodology and the accuracy of the calculations, rather than having to rely that the responding actuary did the work in a professional manner. In the past, we have had situations where the responding actuary was a competitor consultant who was not willing to provide specifics on certain information, such as assumptions they deemed "firm confidential." Further discussions, however, can generally lead to sufficient transfer of information to permit appropriate review without compromising confidentiality concerns.

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

Sincerely,



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