



## **ACTUARIAL STANDARDS BOARD**

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### **• SECOND EXPOSURE DRAFT •**

**Proposed Revision of  
Actuarial Standard  
of Practice  
No. 35**

**Selection of Demographic and  
Other Noneconomic Assumptions  
for Measuring Pension Obligations**

**Comment Deadline:  
September 15, 2019**

**Developed by the  
Pension Committee of the  
Actuarial Standards Board**

**Approved for Exposure by the  
Actuarial Standards Board  
June 2019**

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**TO:** Members of Actuarial Organizations Governed by the Standards of Practice of the Actuarial Standards Board and Other Persons Interested in the Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations

**FROM:** Actuarial Standards Board (ASB)

**SUBJ:** Proposed Revision of Actuarial Standard of Practice (ASOP) No. 35

This document contains a second exposure draft of a proposed revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. Please review this exposure draft and give the ASB the benefit of your comments and suggestions. Each written comment letter or email received by the comment deadline will receive consideration by the drafting committee and the ASB.

The ASB accepts comments by either electronic or conventional mail. The preferred form is e-mail, as it eases the task of grouping comments by section. However, please feel free to use either form. If you wish to use e-mail, please send a message to **comments@actuary.org**. You may include your comments either in the body of the message or as an attachment prepared in any commonly used word processing format. **Please do not embed your comments in the exposure draft and do not password protect any attachments. If the attachment is in the form of a PDF, please do not “copy protect” the PDF.** Include the phrase “ASB COMMENTS” in the subject line of your message. Please note: Any message not containing this exact phrase in the subject line will be deleted by our system’s spam filter. Also, please indicate in the body of the e-mail if your comments are being submitted on your own behalf or on behalf of a company or organization.

If you wish to use conventional mail, please send comments to the following address:

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

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.

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For more information on the exposure process, please see the ASB Procedures Manual.

**Deadline** for receipt of comments in the ASB office: **September 15, 2019**

### History of the Standard

The ASB provides guidance for measuring pension and retiree group benefit obligations through the series of ASOPs listed below.

1. ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*;
2. ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*;
3. ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*;
4. ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*;
5. ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*; and
6. ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*.

The last revision of ASOP No. 35 was issued in September 2014.

In response to specific requests for changes in the ASOPs and other activity related to public pension plans, in July 2014 the ASB issued a Request for Comments on the topic of ASOPs and Public Pension Plan Funding and Accounting. Over 50 comment letters were received covering a wide variety of potential ASB actions. In December 2014, the ASB formed the Pension Task Force and charged it with reviewing these comments and other relevant reports and input to develop recommendations for ASB next steps. In July 2015, the ASB held a public hearing on actuarial standards of practice applicable to actuarial work regarding public plans. The Pension Task Force provided its report to the ASB in February 2016. The report included suggestions for changes to the ASOPs that would apply to all areas of pension practice. In June 2016, the ASB directed its Pension Committee to draft appropriate modifications to the actuarial standards of practice, in accordance with ASB procedures, to implement the suggestions of the Pension Task Force. Draft revisions of ASOP Nos. 4, 27, and 35 were exposed for comment in March 2018 with a comment deadline of July 31, 2018.

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### First Exposure Draft

The first exposure draft was issued in March 2018 with a comment deadline of July 31, 2018. Sixteen comment letters were received and considered in making changes that are reflected in the second exposure draft.

### Notable Changes from the First Exposure Draft

Notable changes made to the first exposure draft are summarized below. Additional changes were made to improve readability, clarity, or consistency.

1. Section 1.2, Scope, was expanded to clarify the application of the standard when a demographic assumption is not selected by the actuary and whenever the actuary has an obligation to assess the reasonableness of a demographic assumption that the actuary has not selected.
2. Section 1.4, Effective Date, was modified.
3. Section 3.2.5, Select a Reasonable Assumption, was clarified to acknowledge that relevant historical data may not exist. The section also was further clarified concerning the expectation that a reasonable assumption will have no significant bias.
4. Section 3.4, Phase-In of Changes in Assumptions, was moved to section 3.9 and clarified to state that the reasonableness of an assumption must be evaluated at each measurement date at which it is applied, without regard for future planned changes in the assumption.
5. Section 3.5.3, Mortality, (now section 3.4.3) was clarified.
6. Section 3.5.4, Mortality Improvement, (now section 3.4.4) was clarified.
7. Section 3.7, Consistency among Demographic Assumptions Selected by the Actuary for a Particular Measurement, (now section 3.6, Consistency among Assumptions Selected by the Actuary for a Particular Measurement) was amended to provide that the actuary is not required to select assumptions that are consistent with assumptions not selected by the actuary.
8. Section 3.9, Assumptions Not Selected by the Actuary, (now section 3.8, Assessing Assumptions Not Selected by the Actuary) was modified to clarify the requirement that the actuary assess the reasonableness of each demographic assumption that the actuary has not selected.

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9. Section 3.10.4, Combined Effect of Assumptions, was clarified to indicate that the combined effect of assumptions selected by the actuary should be expected to have no significant bias.
10. Section 3.10.6, Views of Experts, (now titled, Other Sources of Demographic Data and Analyses) was renamed and clarified to provide for use of other sources of demographic data and analyses.
11. Section 3.11, Documentation, was added to conform to current ASOP format.
12. Section 4.1.2, Rationale for Assumptions, was modified concerning the disclosure of the rationale for assumptions not selected by the actuary, was clarified concerning the application to planned assumption changes after the measurement date, and was clarified regarding disclosures for mortality assumptions.

**Request for Comments**

The ASB appreciates comments and suggestions on all areas of this proposed standard. Rationale and recommended wording for any suggested changes would be helpful.

The ASB thanks everyone who took the time to contribute comments and suggestions on the exposure draft.

The ASB voted in June 2019 to approve this exposure draft.

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*The Actuarial Standards Board (ASB) sets standards for appropriate actuarial practice in the United States through the development and promulgation of Actuarial Standards of Practice (ASOPs). These ASOPs describe the procedures an actuary should follow when performing actuarial services and identify what the actuary should disclose when communicating the results of those services.*



**PROPOSED REVISION OF  
ACTUARIAL STANDARD OF PRACTICE NO. 35**

**SELECTION OF DEMOGRAPHIC AND  
OTHER NONECONOMIC ASSUMPTIONS FOR  
MEASURING PENSION OBLIGATIONS**

**STANDARD OF PRACTICE**

Section 1. Purpose, Scope, Cross References, and Effective Date

- 1.1 Purpose—This actuarial standard of practice (ASOP or standard) does the following:
- a. provides guidance to actuaries when performing actuarial services that include selecting (including giving advice on selecting) demographic and other noneconomic assumptions for measuring obligations under defined benefit pension plans;
  - b. supplements the guidance in ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, that relates to the selection and use of demographic and other noneconomic assumptions;
  - c. supplements the guidance in ASOP No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, that relates to the selection and use of demographic and other noneconomic assumptions; and
  - d. supplements the guidance in ASOP No. 34, *Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions*, that relates to the selection and use of demographic and other noneconomic assumptions.
- 1.2 Scope—This standard applies to actuaries when performing actuarial services that include selecting demographic and all other assumptions not covered by ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, to measure obligations under any defined benefit pension plan that is not a social insurance program as described in section 1.2, Scope, of ASOP No. 32, *Social Insurance* (unless ASOPs on social insurance explicitly call for application of this standard). Measurements of defined benefit pension plan obligations include calculations such as funding valuations or other assignment of plan costs to time periods, liability measurements or other actuarial present

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value calculations, and cash flow projections or other estimates of the magnitude of future plan obligations. Measurements of pension obligations do not generally include individual benefit calculations, individual benefit statement estimates, or nondiscrimination testing.

Throughout this standard, any reference to selecting demographic and other noneconomic assumptions also includes giving advice on selecting demographic and other noneconomic assumptions. For example, the actuary may provide advice on selecting demographic and noneconomic assumptions under US GAAP or Governmental Accounting Standards even though another party is ultimately responsible for selecting these assumptions. This standard applies to the actuarial advice given in such situations, within the constraints imposed by the relevant accounting standards.

As discussed in ASOP No. 41, *Actuarial Communications*, an assumption may be selected by the actuary or selected by another party. Nothing in this standard is intended to require the actuary to select a demographic or other noneconomic assumption that has otherwise been selected by another party. When a demographic or other noneconomic assumption is not selected by the actuary, the guidance in section 3.8 and section 4 concerning assessment and disclosure applies.

If the actuary determines that the guidance in this standard conflicts with ASOP Nos. 4 or 6, ASOP Nos. 4 or 6 will govern.

If the actuary departs from the guidance set forth in this standard in order to comply with applicable law (statutes, regulations, and other legally binding authority) or for any other reason the actuary deems appropriate, the actuary should refer to section 4. If a conflict exists between this standard and applicable law, the actuary should comply with applicable law.

- 1.3 Cross References—When this standard refers to the provisions of other documents, the reference includes the referenced documents as they may be amended or restated in the future, and any successor to them, by whatever name called. If any amended or restated document differs materially from the originally referenced document, the actuary should consider the guidance in this standard to the extent it is applicable and appropriate.
- 1.4 Effective Date—This standard is effective for any actuarial report that meets the following criteria: (a) the actuarial report is issued on or after a date that is 12 months after the date of adoption of this standard by the Actuarial Standards Board; and (b) the **measurement date** in the actuarial report is on or after a date that is 12 months after the date of adoption of this standard by the Actuarial Standards Board.

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**Section 2. Definitions**

The terms below are defined for use in this actuarial standard of practice and appear in bold throughout the ASOP.

- 2.1 **Assumption Format**—The form in which a particular **demographic assumption** will be used or expressed. In some cases, the assumption will take the form of a table where the probability of the occurrence of a given event depends on parameters such as gender, age, service, or calendar year. In other cases, the assumption may be a point estimate, implying 100% probability of occurrence of a given event at the stated point. An example of a point estimate assumption is an assumption that 100% of the population will retire at age 62. The **assumption format** may include different tables or point estimates for different segments of the covered population.
- 2.2 **Assumption Universe**—For each **demographic assumption**, a universe consisting of the possible options that the actuary might reasonably use for the specific assumption. For example, an **assumption universe** for a mortality assumption might reasonably include relevant published or proprietary mortality tables and possible adjustments, such as projections of mortality improvement. For some pension plans, an **assumption universe** for a specific assumption might reasonably include a table or factors developed specifically for that plan.
- 2.3 **Demographic Assumptions**—Demographic and all other noneconomic assumptions (i.e., those assumptions not covered in ASOP No. 27), unless explicitly stated otherwise.
- 2.4 **Measurement Date**—The date as of which the values of the pension obligations and, if applicable, assets are determined.
- 2.5 **Measurement Period**—The period subsequent to the **measurement date** during which a particular **demographic assumption** will apply in a given measurement.
- 2.6 **Prescribed Assumption or Method Set by Another Party**—A specific assumption or method that is selected by another party, to the extent that law, regulation, or accounting standards give the other party responsibility for selecting such an assumption or method. For this purpose, an assumption or method selected by a governmental entity for a plan that such governmental entity or a political subdivision of that entity directly or indirectly sponsors is a **prescribed assumption or method set by another party**.
- 2.7 **Prescribed Assumption or Method Set by Law**—A specific assumption or method that is mandated or that is selected from a specified range or set of assumptions or methods that is deemed to be acceptable by applicable law (statutes, regulations, and other legally binding authority). For this purpose, an assumption or method selected by a governmental

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entity for a plan that such governmental entity or a political subdivision of that entity directly or indirectly sponsors is not a **prescribed assumption or method set by law**.

**Section 3. Analysis of Issues and Recommended Practices**

- 3.1 **Overview**—The actuary should use professional judgment to estimate possible future outcomes based on past experience and future expectations and select assumptions based upon application of that professional judgment. The actuary should select reasonable **demographic assumptions** in light of the particular characteristics of the defined benefit plan that is the subject of the measurement. For any given measurement, the actuary will typically be able to identify a range of reasonable assumptions for the same contingency.
- 3.2 **Demographic Assumption Selection Process**—The actuary should follow the process below, as applicable, for selecting **demographic assumptions**. The actuary need not follow this complete process at each **measurement date** for each assumption if, in the actuary’s professional judgment, previously selected assumptions continue to be reasonable (see section 3.7).
- 3.2.1 **Identify the Types of Assumptions**—The actuary should identify the types of **demographic assumptions** to use for a specific measurement. In doing so, the actuary should take into account the following:
- a. the purpose of the measurement;
  - b. the plan provisions or benefits and factors that will affect the timing and value of any potential benefit payments;
  - c. the characteristics of the obligation to be measured (such as **measurement period**, pattern of plan payments over time, open or closed group, materiality, and volatility);
  - d. the contingencies that give rise to benefits or result in loss of benefits;
  - e. the materiality of the assumption to the measurement (see section 3.10.2); and
  - f. the characteristics of the covered group.

The types of **demographic assumptions** used to measure pension obligations may include retirement, termination of employment, mortality and mortality improvement, disability and disability recovery, election of optional forms of

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benefits, and other assumptions such as administrative expenses; household composition; marriage, divorce, and remarriage; open group assumptions; hours of service; transfers; and assumptions regarding missing or incomplete data.

Not every contingency requires a separate assumption. For example, for a plan that is expected to provide benefits of equal value to employees who voluntarily terminate employment or become disabled, retire, or die, the actuary may use an assumption that reflects some or all of the above contingencies in combination rather than selecting a separate assumption for each.

3.2.2 Consider the Relevant Assumption Universe—The actuary should be familiar with the **assumption universe** relevant to each type of assumption identified in section 3.2.1. This may include tables or factors particular to the given plan as well as general tables, factors, and modifications to the tables that are available to actuaries. Sources of information relevant to **demographic assumptions** may include the following:

- a. experience studies or published tables based on experience under uninsured plans and annuity contracts, or based on any other populations considered representative of the group at hand;
- b. relevant plan or plan sponsor experience, which may include analyses of gains or losses by source;
- c. studies or reports of the effects of plan design, specific events (for example, shutdown), economic conditions, or sponsor characteristics on the **demographic assumption** under consideration;
- d. studies or reports of general trends relevant to the type of **demographic assumption** in question (for example, mortality improvement in the United States); and
- e. relevant information from the plan sponsor or other sources about future expectations.

3.2.3 Consider Assumption Formats—The actuary should select an appropriate format for each **demographic assumption**. Factors that affect format specification may include the following:

- a. the degree to which the **assumption format** may affect the results;

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- b. the availability of tables, data, or information relevant to the assumption being selected;
- c. the degree to which the **assumption format** has the potential to model anticipated plan experience;
- d. the size of the covered population; and
- e. the degree to which a parameter (such as gender, age, service, or calendar year) is anticipated to affect experience.

In many situations it is appropriate for the format to include assumptions for different segments of the covered population. For example, it may be appropriate to have different mortality tables for males and females or different turnover tables for salaried and hourly employees.

3.2.4 **Select the Specific Assumptions**—The actuary should select each **demographic assumption** from the appropriate **assumption universe**. In all cases, the actuary should take into account the significance of each assumption selected, which may include the consequences of experience deviating significantly from the selected assumption. The actuary should take into account factors specific to the measurement when selecting assumptions. Examples of such factors are as follows:

- a. the purpose and nature of the measurement. For example, a cash flow projection may require more refined assumptions than a liability measure;
- b. any features of the plan design or change in the plan design that may influence the assumption. For example, the introduction of an early retirement subsidy could influence the plan's incidence of retirement; under these circumstances, in order to measure the incremental cost associated with this change, the retirement assumption for the proposed plan provision may differ from the retirement assumption for the current provision;
- c. appropriate experience from the specific plan and other relevant sources; and
- d. relevant factors known to the actuary that may affect future experience, such as the economic conditions of the area or industry, availability of alternative employment, or the human resources practices of the employer.

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Specific experience of the covered group or other groups with similar characteristics may be useful in forming a judgment about future expectations. However, the actuary should not give undue weight to experience that is not sufficiently credible. The actuary should refer to ASOP No. 25, *Credibility Procedures*, for additional guidance.

In addition, the actuary should not give undue weight to experience that may not be relevant to future expectations. For example, if recent rates of termination and retirement were largely attributable to a one-time workforce reduction, it may be unreasonable to assume that such rates will continue over the **measurement period**.

3.2.5 Select a Reasonable Assumption—The actuary should select reasonable **demographic assumptions**. For this purpose, an assumption is reasonable if it has the following characteristics:

- a. it is appropriate for the purpose of the measurement;
- b. it reflects the actuary’s professional judgment;
- c. it takes into account current and historical data that is relevant to selecting the assumption for the **measurement date**, to the extent such relevant data is reasonably available;
- d. it reflects the actuary’s estimate of future experience, the actuary’s observation of the estimates inherent in market data (if any), or a combination thereof; and
- e. it is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic), except when provisions for adverse deviation or plan provisions that are difficult to measure are included (as discussed in section 3.10.1) and disclosed under section 4.1.1 or when alternative assumptions are used for the assessment of risk, in accordance with ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*.

3.3 Range of Reasonable Assumptions—Due to the uncertain nature of the items for which assumptions are selected, the actuary may consider several different assumptions reasonable for a given measurement. Different actuaries will apply different professional judgment and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop, both for an individual actuary and across actuarial practice.

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- 3.4 **Specific Considerations**—When performing the assumption selection process described in section 3.2, the actuary should be aware of specific considerations that may apply to the selection of individual assumptions, as discussed below.
- 3.4.1 **Retirement**—The actuary should take into account factors that may affect rates of retirement, such as the following:
- a. employer-specific or job-related factors such as occupation, employment practices, work environment, unionization, hazardous conditions, and location of employment;
  - b. the plan design, where specific incentives may influence when participants retire;
  - c. the design of, and date of anticipated payment from, social insurance programs (for example, Social Security or Medicare); and
  - d. the availability of other employer-sponsored postretirement benefit programs (for example, postretirement health coverage or savings plan).
- 3.4.2 **Termination of Employment**—The actuary should take into account factors that may affect rates of termination of employment, such as the following:
- a. employer-specific or job-related factors such as occupation, employment practices, work environment, unionization, hazardous conditions, and location of employment; and
  - b. plan provisions, such as early retirement benefits, vesting schedule, or payout options.
- 3.4.3 **Mortality**—The actuary should take into account factors that may affect rates of mortality, such as the following:
- a. the characteristics of employees and retirees (for example, it may be reasonable to select different assumptions for pre and post retirement);
  - b. the size of the covered population (for example, for some small plans, a reasonable model for mortality may be to assume no mortality before retirement);



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- c. the characteristics of disabled lives, which may depend on the plan’s definition of disability and how it is administered; and
- d. the characteristics of different participant subgroups and beneficiaries.

In addition, the actuary should consider using recently published and generally available mortality tables.

3.4.4 **Mortality Improvement**—The actuary should reflect the effect of mortality improvement (which may be positive, negative, or zero) both before and after the **measurement date**. With regard to mortality improvement, the actuary should do the following:

- a. adjust mortality rates to reflect an assumption as to mortality improvement before the **measurement date**. For example, if the actuary starts with a published mortality table, the mortality rates may need to be adjusted to reflect mortality improvement from the effective date of the table to the **measurement date**. Such an adjustment is not necessary if, in the actuary’s professional judgment, the published mortality table reflects expected mortality rates as of the **measurement date**. This assumption should be disclosed in accordance with section 4.1.1, even if the actuary concludes that such an adjustment is not necessary; and
- b. include an assumption as to expected mortality improvement after the **measurement date**. This assumption should be disclosed in accordance with section 4.1.1, even if the actuary concludes that an assumption of zero future improvement is reasonable as described in section 3.2.5. Note that the existence of uncertainty about the occurrence or magnitude of future mortality improvement does not by itself mean that an assumption of zero future improvement is a reasonable assumption.

3.4.5 **Disability and Disability Recovery**—The actuary should take into account factors that may affect rates of disability and disability recovery, such as the following:

- a. the plan’s definition of disability (for example, whether the disabled person is eligible for Social Security benefits); and
- b. the potential for recovery. For example, if the plan requires continued disability monitoring and if the plan’s definition of disability is not highly restrictive, an assumption for rates of recovery may be appropriate. Alternatively, the probability of recovery may be reflected by assuming a lower incidence of disability than the actuary might otherwise assume.

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- 3.4.6 Election of Optional Form of Benefit—The actuary should take into account factors that may affect rates of electing an optional form of benefit, such as the following:
- a. the optional forms of benefit and benefit commencement dates available under the plan being valued;
  - b. the historical or expected experience of elections under the plan being valued and similar plans; and
  - c. the degree to which particular optional forms of benefit may be subsidized.
- 3.4.7 Expenses Paid from Plan Assets—The actuary should take into account expenses paid from plan assets such as investment advisory, investment management, or insurance advisory services; premiums paid to the Pension Benefit Guaranty Corporation (PBGC); accounting and auditing services; actuarial services; plan administration services; legal services; and trustee services. Formats for these assumptions may include a dollar amount, a specific percentage of assets, a reduction in the investment return assumption, a percentage of benefit obligation or normal cost, or a combination thereof.
- 3.5 Other Demographic Assumptions—The actuary should follow the general selection process outlined in section 3.2 when selecting other assumptions relevant to the measurement. Such assumptions may include the following:
- 3.5.1 Household Composition—Household composition may affect the payment of benefits, the amount of benefits, or other **demographic assumptions**. For example, some plans provide annuity death benefits to surviving children under a stated age. In that case, an assumption as to the number and ages of the potential beneficiaries may be needed.
  - 3.5.2 Marriage, Divorce, and Remarriage—Marriage, divorce, or remarriage may affect the payment of benefits, the amount or type of benefits, or the continuation of benefit payments. An assumption regarding beneficiary ages may also be necessary.
  - 3.5.3 Open Group—Certain assumptions, such as the number and characteristics of new entrants, are applicable in open-group measurements.

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- 3.5.4 Hours of Service—Assumptions for hours of service are generally plan- or industry-specific. Separate assumptions may also be needed for such purposes as benefit accrual and total employer plan contributions.
- 3.5.5 Transfers and Return to Employment—The assumptions for transfers or return to employment are generally plan- or industry-specific. Transfers and return to employment may be one-time events or may be continual if employees are required or permitted to move among groups that are covered by the same or different plans.
- 3.5.6 Missing or Incomplete Data—The data provided may be incomplete due to missing elements such as birth dates or hire dates. Accordingly, assumptions for missing or incomplete data may be necessary if the actuary has determined, in accordance with ASOP No. 23, *Data Quality*, that the overall data are of sufficient quality to complete the assignment. Data actually supplied may be relevant in making such assumptions. For example, it may be appropriate to assume a missing birth date is equal to the average birth date for other participants who have complete data and who have the same service credits as the participant whose date of birth is missing.
- 3.6 Consistency among Assumptions Selected by the Actuary for a Particular Measurement—With respect to a particular measurement, the actuary should select **demographic assumptions** that are consistent with the other assumptions selected by the actuary, including economic assumptions, unless an assumption considered individually is not material (see section 3.10.2). For example, if an employer’s business is in decline and the effect of that decline is reflected in the turnover assumption, it may be appropriate to reflect a change in the retirement assumption, and it may also be appropriate to reflect a change in the compensation increase assumption.
- In addition, the actuary should review the assumptions for consistency with **demographic assumptions** used for measurements of different benefit plans covering the same covered group, if that information is available to the actuary. To the extent the actuary determines that inconsistencies exist, the actuary should determine whether those inconsistencies are reasonable and make adjustments if appropriate.
- The actuary is not required to select assumptions that are consistent with assumptions not selected by the actuary.
- 3.7 Reviewing Assumptions Previously Selected by the Actuary—At each **measurement date**, the actuary should determine whether the assumptions selected by the actuary for a previous **measurement date** continue to be reasonable. In making this determination, the actuary should take into account changes in relevant factors known to the actuary that

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may affect future experience. The actuary should also review recent gain and loss analyses, if any. In addition, the actuary should consider whether an experience study should be performed; however, the actuary is not required to perform an experience study. For each previously selected assumption that the actuary determines is no longer reasonable, the actuary should select a reasonable new assumption.

- 3.8 Assessing Assumptions Not Selected by the Actuary—At each **measurement date**, the actuary should assess the reasonableness of each **demographic assumption** that the actuary has not selected (other than **prescribed assumptions or methods set by law** or assumptions disclosed in accordance with section 4.2[b]), using the guidance set forth in this standard to the extent practicable.
- 3.9 Phase-In of Changes in Assumptions—If a **demographic assumption** is being phased in over a period that includes multiple **measurement dates**, the actuary should determine the reasonableness of the **demographic assumption** and its consistency with other assumptions as of the **measurement date** at which it is applied, without regard to changes to the assumption planned for future **measurement dates**. If the actuary determines that a **demographic assumption** is not reasonable as of the **measurement date** at which it is applied, the actuary should select a reasonable new assumption.
- 3.10 Other Considerations—The actuary should take into account the following considerations when applicable:
- 3.10.1 Adverse Deviation or Plan Provisions That Are Difficult to Measure—Depending on the purpose of the measurement, the actuary may determine that it is appropriate to adjust the **demographic assumptions** to provide for considerations such as adverse deviation or plan provisions that are difficult to measure, as discussed in ASOP No. 4. Any such adjustment made should be disclosed in accordance with section 4.1.1.
- 3.10.2 Materiality—The actuary should take into account the balance between refined **demographic assumptions** and materiality. The actuary is not required to use a particular type of **demographic assumption** or to select a more refined **demographic assumption** when in the actuary’s professional judgment such use or selection is not expected to produce materially different results.
- 3.10.3 Cost of Using Refined Assumptions—The actuary should take into account the balance between refined **demographic assumptions** and the cost of using refined **demographic assumptions**. For example, actuaries working with small plans may prefer to emphasize the results of general research to comply with this standard. However, they are not precluded from using relevant plan-specific facts.

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- 3.10.4 Combined Effect of Assumptions—The actuary should select assumptions (both **demographic assumptions** selected in accordance with this standard and economic assumptions selected in accordance with ASOP No. 27) such that the combined effect of the assumptions selected by the actuary is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic) except when provisions for adverse deviation are included. For example, the actuary may have decided not to make any assumption with regard to four different types of future events, each of which alone is immaterial. However, the effect of omitting assumptions for all four types of future events may be a material understatement or overstatement of the measurement results. In these circumstances, the assumptions should be revised.
- 3.10.5 Changes in Circumstances—The actuary should select **demographic assumptions** that reflect the actuary’s knowledge as of the **measurement date**. However, the actuary may learn of an event occurring after the **measurement date** (for example, plan termination or death of the principal owner), that would have changed the actuary’s selection of a **demographic assumption**. If appropriate, the actuary may reflect this change as of the **measurement date**.
- 3.10.6 Other Sources of Demographic Data and Analyses—Demographic data and analyses are available from a variety of other sources, including representatives of the plan sponsor and administrator, demographers, economists, and other professionals. When the actuary is responsible for selecting or giving advice on selecting **demographic assumptions** within the scope of this standard, the actuary may incorporate these other sources, but the selection or advice should reflect the actuary’s professional judgment.
- 3.11 Documentation—The actuary should consider preparing and retaining documentation to support compliance with the requirements of section 3 and the disclosure requirements of section 4. When preparing documentation, the actuary should prepare documentation in a form such that another actuary qualified in the same practice area could assess the reasonableness of the actuary’s work or could assume the assignment if necessary. The degree of such documentation should be based on the professional judgment of the actuary, and may vary with the complexity and purpose of the actuarial services. In addition, the actuary should refer to ASOP No. 41, section 3.8, for guidance related to the retention of file material other than that which is to be disclosed under section 4.

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**Section 4. Communications and Disclosures**

4.1 **Required Disclosures in an Actuarial Report**—When issuing an actuarial report to which this standard applies, the actuary should refer to ASOP Nos. 4, 23, 25, 27, 41, and 51. In addition, the actuary should disclose the following in such actuarial reports:

4.1.1 **Assumptions Used**—The actuary should describe each significant **demographic assumption** used in the measurement and whether the assumption represents an estimate of future experience, the actuary’s observation of the estimates inherent in market data, or a combination thereof. The actuary should also include a disclosure of any explicit adjustment made in accordance with section 3.10.1 for adverse deviation or plan provisions that are difficult to measure as discussed in ASOP No. 4. Sufficient detail should be shown to permit another qualified actuary to assess the level and pattern of each assumption (for example, by supplying the name of a published decrement table or by showing turnover rates at every fifth age for an unpublished age-based table).

The disclosure of the mortality assumption should contain sufficient detail to permit another qualified actuary to understand any adjustment to reflect mortality improvement from the effective date of the table to the **measurement date** and the provision made for future mortality improvement. If the actuary assumes zero mortality improvement after the **measurement date**, the actuary should state that no provision was made for future mortality improvement.

4.1.2 **Rationale for Assumptions**—For each **demographic assumption** that has a significant effect on the measurement and that the actuary has selected, the actuary should disclose the information and analysis used to support the actuary’s determination that the assumption is reasonable.

For each **demographic assumption** that has a significant effect on the measurement and that the actuary has not selected (other than **prescribed assumptions or methods set by law** or assumptions disclosed in accordance with section 4.2[a] or [b]), the actuary should disclose the information and analysis used to support the actuary’s determination that the assumption does not significantly conflict with what, in the actuary’s professional judgment, is reasonable for the purpose of the measurement.

The disclosures should be based on the **demographic assumptions** as of the **measurement date** at which they are applied without regard to changes to the assumptions planned for future **measurement dates**. These disclosures may be brief but should be pertinent to the plan’s circumstances. For example, the actuary may disclose any specific approaches used, sources of external advice, and how

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past experience and future expectations were considered in determining the assumption to be reasonable. If applicable, the actuary should disclose the time period of relevant plan or plan sponsor experience that was last analyzed, including the date of any experience study used in the selection process.

Additionally, if the disclosure relates to a mortality assumption that is based on mortality tables that substantially predate more recently published relevant and generally available mortality tables, the actuary should disclose the justification for the use of such tables instead of a more recently published table.

- 4.1.3 Changes in Assumptions—The actuary should disclose any changes in the significant **demographic 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 **prescribed assumption or method set by another party** nor a **prescribed assumption or method set by law**, the actuary should include an explanation of the information and analysis that led to the change.

The disclosure may be brief but should be pertinent to the plan’s circumstances. The disclosure may reference any actuarial experience study performed, including the date of the experience study report.

- 4.1.4 Changes in Circumstances—The actuary should refer to ASOP No. 41 for communication and disclosure requirements regarding changes in circumstances known to the actuary that occur after the **measurement date** and that would affect **demographic assumptions** selected as of the **measurement date**.

- 4.2 Disclosure about Assumptions Not Selected by the Actuary—The actuary’s report should state the source of any assumption that the actuary has not selected.

With respect to assumptions that the actuary has not selected, other than **prescribed assumptions or methods set by law**, the actuary’s report should identify the following, if applicable:

- a. any such assumption that significantly conflicts with what, in the actuary’s professional judgment, is reasonable for the purpose of the measurement (section 3.8); or

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- b. any such assumption that the actuary is unable to assess for reasonableness for the purpose of the measurement (section 3.8).
- 4.3 Additional Disclosures in an Actuarial Report—The actuary should also include the following, when applicable, in an actuarial report:
- a. the disclosure in ASOP No. 41, section 4.3, if the actuary states reliance on other sources and thereby disclaims responsibility for any material assumption or method set by a party other than the actuary; and
  - b. the disclosure in ASOP No. 41, section 4.4, if, in the actuary’s professional judgment, the actuary has otherwise deviated materially from the guidance of this ASOP.
- 4.4 Confidential Information—Nothing in this ASOP is intended to require the actuary to disclose confidential information.



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**Appendix**

**Comments on the First Exposure Draft and Responses**

The first exposure draft of the proposed revision of ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, was issued in March 2018 with a comment deadline of July 31, 2018. Sixteen comment letters were received, some of which were submitted on behalf of multiple commentators, such as by firms or committees. For purposes of this appendix, the term “commentator” may refer to more than one person associated with a particular comment letter. The Pension Committee carefully considered all comments received, and the ASB reviewed (and modified, where appropriate) the changes proposed by the Pension Committee.

Summarized below are the significant issues and questions contained in the comment letters and the responses to each. Minor wording or punctuation changes that are suggested but not significant are not reflected in the appendix, although they may have been adopted.

The term “reviewers” includes the Pension Committee and the ASB. Unless otherwise noted, the section numbers and titles used below refer to those in the first exposure draft.

<b>GENERAL COMMENTS</b>	
Comment	One commentator suggested clarification of the purpose of changes not summarized in the Notable Changes section of the transmittal memorandum.
Response	The reviewers agree and included a sentence in the Notable Changes section in response to this comment.
<b>SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE</b>	
<b>Section 1.1, Purpose</b>	
Comment	Two commentators requested deletion or clarification of references to ASOP No. 34, <i>Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions</i> , because individual benefit calculations are already excluded from the scope, and in many instances, the guidance of ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> , is not appropriate for valuations under ASOP No. 34.
Response	The reviewers note that the addition of section 1.1(d) acknowledges the existing guidance in ASOP No. 34 that states, “Each assumption selected by the actuary should be individually reasonable and consistent with the other assumptions selected by the actuary, in accordance with ASOP Nos. 27, <i>Selection of Economic Assumptions for Measuring Pension Obligations</i> , and 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> ” and made no change.
Comment	One commentator suggested that the ASB should harmonize including ASOP No. 34 and ASOP No. 17, <i>Expert Testimony by Actuaries</i> , in the scope.
Response	The reviewers note that ASOP No. 34 references ASOP No. 35 and ASOP No. 17 does not. Therefore, the reviewers made no change in response to this comment.

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Comment	One commentator wondered whether the purpose should reference ASOP No. 51, <i>Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions</i> .
Response	The reviewers note that ASOP No. 51 supplements the guidance in ASOP No. 35 and made no change.
<b>Section 1.2, Scope</b>	
Comment	One commentator requested deletion of the language that states, “The standard also applies whenever the actuary has an obligation to assess the reasonableness of an economic assumption that the actuary has not selected” because the requirement is inconsistent with ASOP No. 41, <i>Actuarial Communications</i> , section 3.4.4(b)(1).
Response	The reviewers note that ASOP No. 41 states, “This standard provides guidance for preparing actuarial communications, including those that may be required by the Qualification Standards or by other ASOPs. If such other guidance contains communication requirements that are additional to or inconsistent with this standard, the requirements of such other guidance supersede the guidance of this ASOP.” The reviewers believe the assessment requirements are appropriate and made no change.
Comment	One commentator requested clarification of the extent to which ASOP No. 35 applies to retiree group benefit programs.
Response	The reviewers note that section 1.1(c) indicates that the standard “supplements the guidance in ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i> , that relates to the selection and use of demographic and other noneconomic assumptions.” ASOP No. 6 states that, “The actuary should comply with ASOP No. 35 when selecting the retirement, termination, mortality, and disability assumptions to be used in measuring retiree group benefits obligations” and that “Any actuarial communication prepared to communicate the results of work subject to this standard should comply with the requirements of ASOP Nos. 23, 27, 35, 41, and 44.” Therefore, the reviewers made no change.
Comment	One commentator questioned the significance of a change from “prescribed assumptions” to assumptions “that the actuary has not selected.”
Response	The reviewers made the change to clarify the guidance and to avoid confusion with the defined terms in the standard.
<b>Section 1.4, Effective Date</b>	
Comment	One commentator requested clarification that the ASOP would not apply immediately to projections extending more than 12 months.
Response	The reviewers agree and clarified the effective date.
<b>SECTION 2. DEFINITIONS</b>	
<b>Section 2.3, Demographic Assumptions</b>	
Comment	One commentator requested that a comment be added that for readability the ASOP uses the term “demographic assumptions” even though it refers to assumptions that may not be demographic in nature.
Response	The reviewers believe that the definition of “demographic assumptions” is sufficiently clear and made no change.

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<b>Section 2.4, Measurement Date</b>	
Comment	One commentator requested that the definition of “measurement date” should be consistent between ASOP No. 4, and ASOP Nos. 27 and 35, and that the reviewers explain the reason for deletion of the parenthetical (sometimes referred to as the “valuation date”).
Response	The reviewers agree that the definition should be consistent in all three ASOPs, modified the language, and deleted the parenthetical in the first exposure draft to recognize that the measurement date and the valuation date may be different.
Comment	One commentator requested that the guidance recognize that a task involving liability calculations at multiple dates may have a single measurement date, and that the standards clarify the guidance for selection of assumptions in such situations.
Response	The reviewers agree that a task may involve liability calculations as of multiple dates. The reviewers note that sections 3.3.1 and 3.4 of ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> , provide additional guidance. The reviewers changed section 3.2.5(c) to read “it takes into account current and historical data that is relevant to selecting the assumption for the measurement date, to the extent such relevant data is reasonably available.”
<b>SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES</b>	
Comment	One commentator suggested a change to the title of section 3.
Response	The reviewers note that the title of section 3 is consistent with appendix 1 of ASOP No. 1, <i>Introductory Actuarial Standard of Practice</i> , and, therefore, made no change.
<b>Section 3.2.1, Identify the Types of Assumptions</b>	
Comment	One commentator suggested that the information to be determined be expanded to include the likelihood and implications of a plan termination.
Response	The reviewers believe that section 3.2.1(b) provides sufficiently clear guidance and made no change.
<b>Section 3.2.2, Consider the Relevant Assumption Universe</b>	
Comment	One commentator suggested expanding section b to indicate that only credible experience should be considered.
Response	The reviewers believe that credibility is adequately considered in section 3.2.4 and made no change.
<b>Section 3.2.4, Select the Specific Assumptions</b>	
Comment	One commentator suggested changing “not give undue weight to experience that is not relevant” to “give weight to experience that is appropriate to its relevancy to future expectations.”
Response	In response to this comment, the reviewers modified the language to read, “In addition, the actuary should not give undue weight to experience that may not be relevant to future expectations.”
<b>Section 3.2.5, Select a Reasonable Assumption</b>	
Comment	Two commentators suggested changing the sentence, “The actuary should select a reasonable demographic assumption for each demographic assumption selected by the actuary.”
Response	The reviewers note that the guidance applies to the actuary and not to the demographic assumptions but changed the language to read, “The actuary should select reasonable demographic assumptions.”

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Comment	One commentator suggested it was not clear if all of the criteria listed for a reasonable assumption needed to be met. The commentator also suggested the requirement to take into account relevant current and historical data is not always applicable. In addition, the commentator suggested that the criteria may not be sufficient.
Response	The reviewers disagree but clarified the language regarding relevant current and historical data. With this change, the reviewers believe that the language is clear.
Comment	One commentator suggested that the requirement that reasonable assumptions have no significant bias be changed to require that the assumption not be expected to have significant bias.
Response	The reviewers agree and modified the language.
<b>Section 3.4, Phase-In of Changes in Assumptions (now section 3.9)</b>	
Comment	One commentator noted that the section applied to selection of assumptions by the actuary but not by other parties.
Response	The reviewers modified the language to clarify its applicability.
Comment	Several commentators suggested removal of section 3.4 because it is not needed.
Response	The reviewers disagree that the section is not needed but modified the language in response to other comments.
Comment	One commentator requested clarification of the meaning of a phase-in of changes in assumptions.
Response	The reviewers modified the language to clarify the guidance.
Comment	One commentator requested that “select” be replaced by “consider” to indicate that the phase-in assumption is monitored along the phased path, but not necessarily changed each period.
Response	The reviewers disagree but clarified the guidance.
Comment	One commentator suggested that the standard require that any phase-in of assumptions be explicitly identified and that rationale for the phase-in be disclosed.
Response	The reviewers disagree but clarified the guidance.
Comment	One commentator suggested that the section explicitly require that phased-in assumptions also be consistent with other assumptions on each measurement date.
Response	The reviewers agree and modified the language.
Comment	One commentator suggested that the standard require disclosure of the effect of full recognition of the assumption change.
Response	The reviewers believe that the guidance is sufficient and made no change.
Comment	One commentator requested examples or other clarification of how a phase-in of assumptions could be applied and be consistent with the requirement that assumptions must be reasonable at each measurement date.
Response	The reviewers believe the modified guidance is sufficient without an example.
Comment	One commentator requested that the section be clarified to indicate that a phase-in must provide reasonable assumptions at the current and future measurement dates.
Response	The reviewers agree and modified the language.

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<b>Section 3.5.1, Retirement (now section 3.4.1)</b>	
Comment	One commentator suggested that the ASOP should encourage actuaries to use retirement rates running beyond normal retirement age, when appropriate.
Response	The reviewers believe the guidance in this section and section 3.2.2 is sufficient, and made no change.
<b>Section 3.5.2, Termination of Employment (now section 3.4.2)</b>	
Comment	One commentator suggested that the ASOP should direct the actuary to consider economic trends, such as automation and off-shore outsourcing, in selecting demographic assumptions.
Response	The reviewers believe the guidance in this section along with section 3.2.2 is sufficient and made no change.
<b>Section 3.5.3, Mortality (now section 3.4.3)</b>	
Comment	One commentator suggested deleting section 3.5.3(a), as it is unnecessary.
Response	The reviewers disagree and made no change.
Comment	One commentator suggested adding “when tables which are more reflective of the plan’s actual experience are not available” to 3.5.3(a).
Response	The reviewers believe that section 3.2.4 provides sufficient guidance on the use of credible experience in selecting assumptions, and made no change.
Comment	One commentator suggested adding the use of sufficiently credible plan or plan sponsor experience
Response	The reviewers believe that the guidance in section 3.2.4 directing the actuary to refer to ASOP No. 25, <i>Credibility Procedures</i> , is sufficient and made no change.
Comment	One commentator requested clarification whether the considerations listed were intended to be an exhaustive list.
Response	The reviewers modified the language to indicate that the list was not meant to be exhaustive.
<b>Section 3.5.4, Mortality Improvement (now section 3.4.4)</b>	
Comment	One commentator requested that this section should be neutral to positive, zero, or negative mortality improvement.
Response	The reviewers modified the language by insertion of a parenthetical indicating that mortality improvement may be positive, negative, or zero.
Comment	One commentator suggested that the standard should clarify the requirements for disclosure of future changes in mortality assumptions for plan provisions such as the assumption for lump sum calculations.
Response	The reviewers note that guidance on reflecting plan provisions is provided in ASOP No. 4, section 3.5, and made no change to this ASOP.
Comment	One commentator suggested that the standard explicitly allow that the mortality and mortality improvement assumptions required by the federal government and its agencies for various purposes be considered compliant with the standard when used for other purposes.
Response	The reviewers disagree and made no change.
Comment	One commentator expressed concern about potential adjustments to a mortality table that effectively reverse the effect of the mortality improvement assumption.
Response	The reviewers believe the guidance in section 4.1.2 is sufficient and made no change in response to this comment.

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<b>Section 3.5.6, Election of Optional Form of Benefit (now section 3.4.6)</b>	
Comment	One commentator suggested that the guidance in this section make explicit reference to the purpose of the measurement, and that the guidance should clarify that timing of benefit commencement is part of the assumption.
Response	The reviewers believe the guidance is sufficient and made no change.
Comment	One commentator suggested that the guidance clarify that timing of benefit commencement should be consistent between actives decrementing with a deferred benefit and previously decremented participants.
Response	The reviewers disagree and made no change.
<b>Section 3.5.7, Administrative Expenses Charged to the Plan (now section 3.4.7, Expenses Paid from the Plan Assets)</b>	
Comment	One commentator requested clarification of the application of this section to expenses paid by the plan sponsor, not from plan assets, and of the application of this section when there is no assumption for investment return.
Response	The reviewers clarified the language.
<b>Section 3.6.2, Marriage, Divorce, and Remarriage (now section 3.5.2)</b>	
Comment	One commentator requested that the guidance in this section address assumptions with respect to same-sex marriages and domestic partners.
Response	The reviewers note the list is not meant to be exhaustive. Therefore, the reviewers made no change.
Comment	One commentator suggested that the standard clarify that a marriage assumption may be necessary.
Response	The reviewers believe the guidance is sufficiently clear and made no change.
<b>Section 3.6.3, Open Group (now section 3.5.3)</b>	
Comment	One commentator requested clarification as to the actuary's obligation to consider general demographic or other information from outside the plan that may affect the number of new entrants in the future.
Response	The reviewers believe the guidance is sufficient and made no change.
<b>Section 3.7, Consistency among Assumptions Selected by the Actuary for a Particular Measurement (now section 3.6)</b>	
Comment	One commentator requested that the guidance in this section be made consistent with the guidance in ASOP No. 27 section 3.12.
Response	The reviewers made changes to the language in ASOP Nos. 27 and 35 to improve consistency.
Comment	One commentator requested that the statement “Assumption selected by the actuary need not be consistent with prescribed assumptions....” be restored in the guidance.
Response	The reviewers agree and added the following language: “The actuary is not required to select assumptions that are consistent with assumptions not selected by the actuary.”
<b>Section 3.8, Reviewing Assumptions (now section 3.7, Reviewing Assumptions Previously Selected by the Actuary)</b>	
Comment	One commentator requested that this section indicate that performance of a detailed assessment (including potential modifications to assumptions) be at the principal’s discretion.
Response	The reviewers modified the language in response to this comment.

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Comment	One commentator suggested deleting the phrase “as appropriate.”
Response	The reviewers agree and made the change.
Comment	One commentator suggested that the language in this section should be changed to take into consideration that a gain/loss analysis may not always be required or performed in every situation in which the standard applies.
Response	The reviewers agree and clarified the language.
<b>Section 3.10.4, Combined Effect of Assumptions</b>	
Comment	One commentator requested that the phrase “such that the combined effect of the assumptions has no significant bias” be changed to “the combined effect of the assumptions selected by the actuary has no significant bias.”
Response	The reviewers agree and modified the language in response to this comment.
<b>Section 3.10.6, Views of Experts (now titled, Other Sources of Demographic Data and Analyses)</b>	
Comment	One commentator requested that this section refer to sources of demographic data and analyses rather than views of experts.
Response	The reviewers agree and modified the language.
<b>SECTION 4. COMMUNICATIONS AND DISCLOSURES</b>	
Comment	One commentator suggested that the disclosure requirements should be strengthened to facilitate another actuary in the same practice area matching reported results.
Response	The reviewers believe the guidance is sufficient and made no change.
<b>Section 4.1.1, Assumptions Used</b>	
Comment	One commentator requested that references to market data be removed from the ASOP as not relevant to selection of demographic assumptions.
Response	The reviewers note that practice is evolving in the pension area and that the language in the ASOP was intended to allow flexibility in responding to developing markets, and made no change.
Comment	One commentator requested a required disclosure of the credibility basis for any experience-based adjustment to a table.
Response	The reviewers believe that the guidance in sections 3.2.4 and 4.1, directing the actuary to refer to ASOP No. 25, is sufficient and made no change.
<b>Section 4.1.2, Rationale for Assumptions</b>	
Comment	One commentator suggested that the requirement to disclose information and analysis used to support the actuary's determination that an assumption that has been selected by another party (other than prescribed assumptions or methods set by law) is reasonable conflicts with ASOP No. 41 section 3.4.4(b)(1).
Response	The reviewers disagree and believe revised section 4.1.2 is appropriate.

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Comment	One commentator suggested that the requirement to disclose information and analysis used to support the actuary's determination that an assumption that has been selected by another party (other than prescribed assumptions or methods set by law) is reasonable should be deleted because it imposes an unreasonable burden and may put the actuary in conflict with the principal.
Response	In response to this and other comments, the reviewers modified the language in this section to read, "For each demographic assumption that has a significant effect on the measurement and that the actuary has not selected (other than prescribed assumptions or methods set by law or assumptions disclosed in accordance with section 4.2), the actuary should disclose the information and analysis used to support the actuary's determination that the assumption does not significantly conflict with what, in the actuary's professional judgment, is reasonable for the purpose of the measurement."
Comment	One commentator made suggestions to clarify that plan-specific tables may be more appropriate than more recently published general tables.
Response	As noted in the response to comments in section 3.5.3, the reviewers believe that section 3.2.4 provides sufficient guidance and made no change.
Comment	One commentator suggested that actuaries should be required to provide the basis for their determination that assumptions are reasonable.
Response	The reviewers refer the commentator to section 4.1.2 and note that this section has been further modified.
Comment	One commentator suggested that the requirements to justify selection of a table or disclose rationale should only apply when the assumption is significant.
Response	The reviewers agree and modified the language.
Comment	One commentator suggested that the requirements to justify selection of an older mortality table should not apply to disabled life mortality.
Response	The reviewers disagree and made no change.
Comment	Two commentators requested clarification of how the disclosure requirement of section 4.1(1) of ASOP No. 4 for assumptions that the actuary has not selected relates to the disclosure requirement of section 4.2.
Response	In response to these and other comments, the reviewers modified the language in this section to read, "For each demographic assumption that has a significant effect on the measurement and that the actuary has not selected (other than prescribed assumptions or methods set by law or assumptions disclosed in accordance with section 4.2), the actuary should disclose the information and analysis used to support the actuary's determination that the assumption does not significantly conflict with what, in the actuary's professional judgment, is reasonable for the purpose of the measurement."
Comment	One commentator suggested that it might be clearer to require that disclosure of any adjustments made to reflect mortality improvement be included in justification for use of the assumption.
Response	The reviewers believe that the guidance is sufficient and made no change.
Comment	One commentator suggested that when an older table is used, the standard require disclosure of life expectancy comparisons between the valuation assumption and a more current table in order to better educate intended users of the actuary's work.
Response	The reviewers believe that the guidance is sufficient and made no change.



**ASOP No. 35—SECOND EXPOSURE DRAFT—June 2019**

Comment	One commentator suggested that the guidance clarify that the section does not apply to an assumption the actuary has not selected and is unable to assess for reasonableness.
Response	The reviewers agree and clarified the language.
Comment	One commentator supported the requirement and requested clarifications.
Response	In response to this and other comments, the reviewers modified the language.