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ASOP No. 27 Revision
Actuarial Standards Board
1850 M Street NW, Suite 300
Washington DC 20036

Dear Actuarial Standards Board:

This letter is similar in principle to a letter that I sent on May 13, 2011. Unfortunately I sent that letter too late to be considered for the ASOP 27 revision that was pending at that time.

Section 2.4 of the exposure draft reads as follows:

2.4 Merit Adjustments—The rates of change in an individual’s compensation attributable to personal performance, promotion, seniority, or other individual factors.

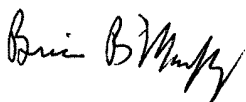
I suggest that this definition and related discussion be moved to ASOP 35.

I was not able to find a definition of the term “economic assumption” in either ASOP 1 or ASOP 27, but I think of an economic assumption as something related to the economy as whole, or perhaps a significant segment of it. It is obvious from Section 2.4 of the Exposure Draft that merit adjustments relate to individuals, or perhaps to individual companies or industries, but not to the general economy. Development of a merit scale would typically be done by tabulating pay increases that individual people receive over time, and backing out a portion deemed to be due to price inflation and productivity changes (which I agree are economic assumptions). The development is similar to what is done in the development of turnover rates, disability rates, mortality rates, etc. The fact that the tabulation involves money should not make it an economic assumption any more than tabulating retiree deaths by benefit amount makes mortality an economic assumption.

In addition to the above, it might actually be a good idea to develop and publish a definition of “economic assumption” and possibly also of “demographic assumption”.

Thank you for your consideration.

Sincerely,



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