

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of ASOP No. 27, *Selection of Assumptions for Measuring Pension Obligations*, was released in January 2023 with a comment deadline of June 15, 2023. Six 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 of the Actuarial Standards Board 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. 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” in appendix 2 includes the Pension Committee and the ASB. The section numbers and titles used in appendix 2 refer to those in the exposure draft, which are then cross referenced with those in the final standard.

TRANSMITTAL MEMORANDUM	
Question 1. The consolidation of ASOP Nos. 27 and 35 is not intended to substantively change the guidance. Has the conversion achieved this goal? If not, please explain or provide examples.	
Comment	Several commentators agreed that the consolidation of ASOP Nos. 27 and 35 did not substantively change the guidance, with exceptions noted in the responses throughout appendix 2.
Response	The reviewers appreciate the feedback received on the consolidation of ASOP Nos. 27 and 35.
Question 2. Will the deletion of guidance about the assumption universe affect practice? If so, please explain or provide examples.	
Comment	Several commentators did not believe that the deletion of guidance on the assumption universe will affect practice.
Response	The reviewers appreciate the feedback received on the deletion of guidance on the assumption universe.
GENERAL COMMENTS	
Comment	One commentator suggested the title of the ASOP and/or the purpose section be modified to explicitly indicate whether or not the ASOP applies to retiree medical plans.
Response	The reviewers clarified the language in section 1.2, Scope, in response to this and other comments.
Comment	Several commentators felt the distinction between the terms “significance” and “materiality” was unclear and suggested consistent use of these terms.
Response	The reviewers agree and modified the language in response to this comment. The reviewers note the terms “materiality” and “significance/significant” are discussed in ASOP No. 1, <i>Introductory Actuarial Standard of Practice</i> .

SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE	
Section 1.2, Scope	
Comment	One commentator suggested in the fourth paragraph of this section removal of the word “otherwise” and adding after party “that has authority to select the assumption.”
Response	The reviewers deleted the word “otherwise” and believe that the suggested additional language is not necessary.
Comment	One commentator requested additional disclosure from the actuary when there's a conflict between ASOP No. 27, <i>Selection of Economic Assumptions for Measuring Pension Obligations</i> , and ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> , or ASOP No. 6, <i>Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions</i> .
Response	The reviewers believe the guidance is sufficient and made no change in response to this comment.
Comment	One commentator suggested the standard clarify the obligations of an actuary who advises another party in the selection of an assumption.
Response	The reviewers believe the guidance is sufficient and made no change in response to this comment.
Comment	One commentator suggested replacing the language in the first sentence with “...measurement of defined benefit pension or retiree group benefit plan obligations.”
Response	The reviewers added clarifying language in response to this comment.
Section 1.4, Effective Date	
Comment	One commentator suggested that the standard should clearly allow for earlier application of the revision.
Response	The reviewers note that ASOP No. 1 provides guidance regarding earlier application of a standard, and made no change in response to this comment.
Comment	One commentator suggested making the effective date be one year after adoption.
Response	The reviewers modified the effective date in response to this comment.
Comment	One commentator suggested the following language: “This standard is effective for any actuarial report that meets the following criteria: (a) the actuarial report is issued on or after four months after adoption of this standard; and (b) the measurement date in the actuarial report is on or after four months after adoption of this standard.”
Response	The reviewers modified the effective date in response to this comment.
SECTION 2. DEFINITIONS	
Section 2.4, Prescribed Assumption or Method Set by Another Party	
Comment	One commentator recommended changing “or accounting standards” to “accounting standards or other regulatory authority.”
Response	The reviewers believe the guidance is clear and made no change.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Overview	
Comment	One commentator suggested adding “use professional judgment” to appropriately emphasize its importance.
Response	The reviewers note that the added emphasis is not necessary in this section due to the existing guidance provided in ASOP No. 1.

Section 3.3, Identification of Types of Assumptions Used in the Measurement	
Comment	One commentator suggested replacing “value” with “size.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	Several commentators suggested replacing “significance” with “materiality” in section 3.3(c).
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding “the materiality of the assumption to the measurement (see section 3.4.3)” as new letter (e).
Response	The reviewers believe the guidance is sufficient and made no change in response to this comment.
Comment	One commentator suggested revising item 11 to read, “assumptions about other items....”
Response	The reviewers agree and made the change.
Section 3.4.1, Relevant Information	
Comment	One commentator suggested moving some of the guidance from section 3.4.1 to section 3.5.
Response	The reviewers disagree and made no change in response to this comment.
Section 3.4.3, Materiality	
Comment	One commentator suggested revising the example language.
Response	The reviewers agree and made the change.
Section 3.4.4, Format	
Comment	One commentator suggested revising the language to state, “The actuary should select an appropriate format for each assumption. This appropriate format may take into account the degree to which a parameter (such as gender, age, service, or calendar year) is anticipated to affect experience.”
Response	The reviewers believe the guidance is appropriate but modified the language for clarity in response to this comment.
Comment	One commentator suggested adding a definition of “assumption format” to parallel ASOP No. 35, <i>Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations</i> .
Response	The reviewers believe the common meaning of the term “format” is understood and made no change in response to this comment.
Comment	One commentator suggested placing guidance on select and ultimate format in section 3.4.4 and deleting the guidance in several other sections throughout the standard.
Response	The reviewers agree and modified the language in response to this comment.
Section 3.4.5, Rounding	
Comment	One commentator suggested revising the guidance to allow for biased rounding techniques in certain circumstances.
Response	The reviewers modified the language in response to this comment.
Comment	Several commentators suggested replacing “significance” with “materiality.”
Response	The reviewers agree and made the change.
Section 3.4.6, Changes in Circumstances (now Subsequent Events)	
Comment	One commentator suggested including a cautionary note for an actuary who intends to reflect an event that occurred after the measurement date.
Response	The reviewers believe the guidance is sufficient and made no change in response to this comment.

Section 3.5, Selecting a Reasonable Assumption	
Comment	One commentator suggested adding the words “for example” whenever ASOP No. 51, <i>Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions</i> , is mentioned since other situations may exist where significant bias is acceptable, such as, in presenting “what if” guidance.
Response	The reviewers modified the guidance in this section and in section 3.5.3 in response to this comment.
Section 3.5.1, Reasonable Assumption Based on Future Experience or Market Data (now Reasonable Assumption Based on Estimated Future Experience or Market Data)	
Comment	Two commentators suggested adding “if any” after market data.
Response	The reviewers agree and made the change.
Comment	One commentator suggested adding “Expected” to the title and moving examples from section 3.4.1(e) into this section.
Response	The reviewers modified the language in response to this comment.
Section 3.7, Selecting an Investment Return Assumption	
Comment	One commentator felt section 3.7.3(h) focuses on a single investment return assumption.
Response	The reviewers disagree, note that section 3.7.4 allows multiple investment return rates, and made no change in response to this comment.
Comment	One commentator suggested revising the last sentence of the first paragraph of this section.
Response	The reviewers modified the language in response to this comment.
Section 3.8, Selecting a Discount Rate	
Comment	One commentator suggested including language from the current standard regarding using a discount rate to calculate the present value of expected future plan payments.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested including language from the current standard regarding the format of the assumption.
Response	The reviewers believe the revised section 3.4.4 addresses the commentator’s suggestion and made no change to this section in response to this comment.
Section 3.9.2, Measurement-Specific Considerations	
Comment	One commentator disagreed with the guidance in section 3.9.2(b).
Response	The reviewers modified the language in response to this comment.
Comment	One commentator felt section 3.9.2(d) was too prescriptive.
Response	The reviewers disagree and made no change in response to this comment.
Section 3.13, Selecting a Mortality Improvement Assumption	
Comment	One commentator felt the guidance was unnecessary.
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested modifying the introductory sentence for consistency with other sections in the standard.
Response	The reviewers revised the language in response to this comment.
Comment	One commentator suggested alternative language regarding “the effective date of the table.”
Response	The reviewers revised the language in response to this comment.

Section 3.17, Selecting Other Assumptions	
Comment	One commentator suggested deleting “When measuring pension obligations” from the introductory sentence.
Response	The reviewers agree and revised the language in response to this comment.
Section 3.17.3, Rate of Payroll Growth	
Comment	One commentator suggested replacing “salary” with “compensation.”
Response	The reviewers agree and made the change.
Section 3.17.6, Household Composition	
Comment	One commentator suggested making the language more prescriptive.
Response	The reviewers disagree and made no change.
Section 3.18, Consistency among Assumptions Selected by the Actuary for a Particular Measurement	
Comment	One commentator suggested alternative language for the introductory sentence of this section.
Response	The reviewers believe the guidance is clear and made no change in response to this comment.
Comment	One commentator suggested deleting “economic” in the fourth paragraph.
Response	The reviewers agree and made the change.
Section 3.20, Assessing Assumptions Not Selected by the Actuary	
Comment	One commentator suggested removing the exception for “prescribed assumptions or methods set by law.”
Response	The reviewers made no change in response to this comment.
Section 3.21, Phase-In of Changes in Assumptions	
Comment	One commentator suggested changing “the measurement date” to “each measurement date” wherever it appears.
Response	The reviewers believe the guidance is sufficiently clear and made no change in response to this comment.
Section 3.23, Reliance on Another Actuary	
Comment	One commentator suggested changes to the guidance in this section.
Response	The reviewers revised and clarified the language in response to this comment.
Section 3.24, Reliance on Expertise of Others	
Comment	Two commentators suggested changes to the guidance in this section.
Response	The reviewers revised and clarified the language in response to these comments.
Section 3.25, Documentation	
Comment	Two commentators suggested revising the guidance in this section.
Response	The reviewers believe the guidance is clear and made no change in response to these comments.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.1, Required Disclosures in an Actuarial Report	
Comment	Two commentators suggested including additional ASOPs in the list of standards referenced.
Response	The reviewers modified the language to include all ASOPs referenced in section 3.

Section 4.1.1, Assumptions Used	
Comment	One commentator felt the language in section 4.1.1 and 4.1.2 was redundant and suggested section 4.1.1 be removed.
Response	The reviewers disagree and made no change in response to this comment.
Section 4.1.2, Rationale for Assumptions	
Comment	One commentator suggested expanding “has not selected” to “has not selected or provided advice on its selection.”
Response	The reviewers disagree and made no change in response to this comment.
Comment	One commentator suggested replacing “and generally available mortality tables” with “information.”
Response	The reviewers disagree and made no change in response to this comment.
Section 4.1.3, Changes in Assumptions	
Comment	One commentator suggested revising the language to specify that the effects of changes are not required to be disclosed individually for every assumption.
Response	The reviewers modified the language in response to this comment.
Section 4.1.4, Changes in Circumstances (now Subsequent Events)	
Comment	Several commentators suggested removing the word “economic” from this section.
Response	The reviewers agree and made the change.
Section 4.3, Additional Disclosures (now Additional Disclosures in an Actuarial Report)	
Comment	One commentator suggested deleting “otherwise.”
Response	The reviewers agree and revised the language.
APPENDIX	
Comment	One commentator suggested deleting appendix 1.
Response	The reviewers disagree but modified the appendix in response to this comment.