

Assumption Setting

This document sets out the preliminary assumptions that ABC Company (the Company) management needs to select for the actuarial valuation of the Company's defined benefit retirement plan for this year's accounting reporting purposes. Please review our comments on each of the assumptions below and confirm management's preferred assumptions.

Note that in all cases, the assumptions should be unbiased and mutually compatible and be justifiable to your auditors. While Willis Towers Watson can comment on what might be appropriate assumptions, the ultimate responsibility for the assumptions rests with the Company's management.

Summary of Assumptions

A summary of the proposed assumption

Assumption

Financial

- Discount Rate
- Salary Increase Rates
- CB Interest Rate
- Expected Return on Assets

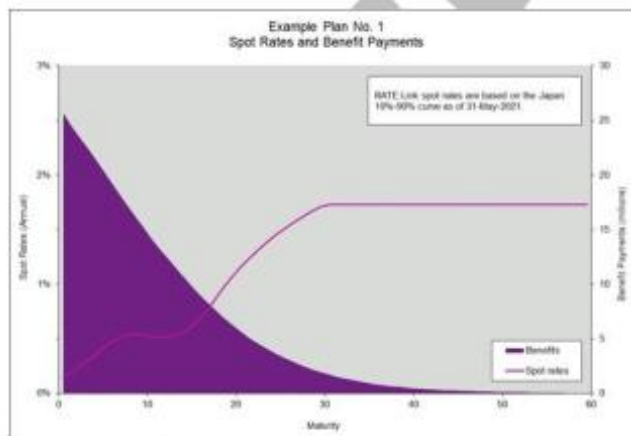
Demographic

- Mortality Rates
- Withdrawal Rates

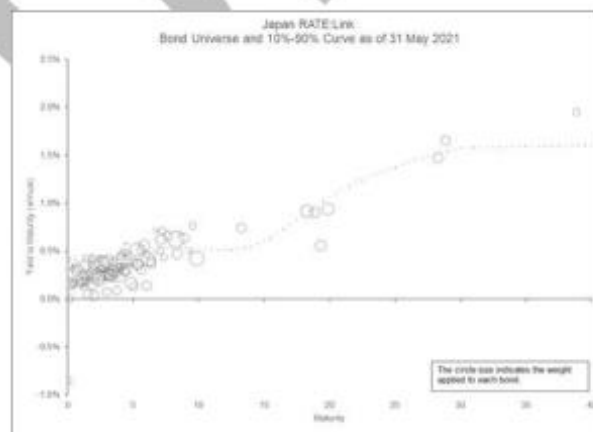
Financial Assumptions

Discount Rate

- The assumption adopted for the actuarial valuation of ABC Company plans as at December 31, 2019 was 0.50% p.a.
- Using Willis Towers Watson's proprietary yield curve software RATE:Link, we are able to generate a yield curve based on the yields and maturities of high-quality corporate bonds available in the Japanese market. The spot rates determined from this yield curve can then be used to discount the past service component of the projected benefit payments from the plan and determine a present value. Finally, a single discount rate can be determined which produces the same present value. Based on the projected aggregate liability output from the valuation of all plans as at September 30, 2019, and our October 31, 2020 version of RATE:Link, we have calculated a discount rate of 0.75% p.a. (unrounded 0.77% p.a.)



- Refer to the chart below for the bond universe utilized.



前提条件の提案書 (レポートイメージ)

Salary Increase Rates

- The following age-based salary increase rates for the actuarial valuation as at December 31, 2019 were developed by WTW based on detailed salary increase experience analysis of actual ABC company employees over the three-year period from November 1, 2016 to October 31, 2019:



Expected Return on Assets

- The actual average increase in 2020 was 2.2% while the census data as at October 2019 expected significantly, we increase rates.

- The assumption adopted in respect of the expected return for fiscal year 2019 was 0.75% p.a. and was broadly consistent with the long-term net expected return by investment classes and the asset mix.
- The target allocation of plan assets set out below is based on results from the asset liability management (ALM) study conducted by WTW in November 2018.

Interest Crediting Rate

- The interest crediting rate
- Recent market rates have fallen in recent years, therefore we suggest equal to the minimum of



- Based on the weighted target allocation of plan assets, we estimate that the long-term net expected return (based on 20-year mean returns) is around 0.41% p.a. after fees. Therefore, we believe that ABC Company can lower the long-term expected return on assets assumption to 0.50% when determining the expense for following fiscal year.

Demographic Assumptions

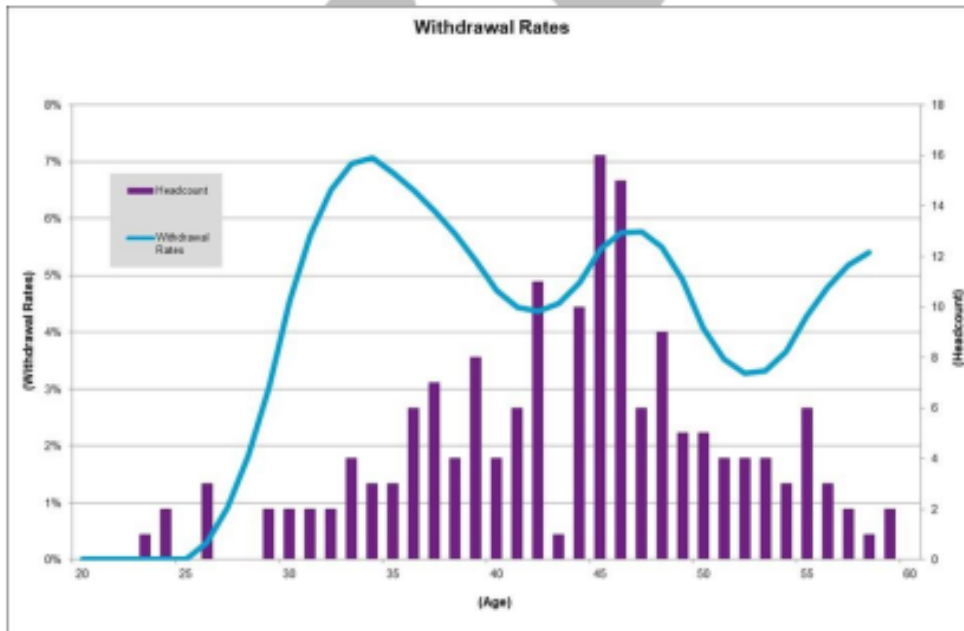
Mortality Rates

- The mortality rates adopted for last year's actuarial valuation was the EPF 2014 rates as published by the Ministry of Health, Labour and Welfare (MHLW).
- For this year's valuation, we would like to recommend updating the mortality table to DBCPP2020. This is the most recent mortality rates as published by the MHLW in 2020 for DBCPP. A comparison of the mortality rates is shown below.

Age	EPF 2014		DBCPP 2020	
	Male	Female	Male	Female
20	0.040%	0.012%	0.042%	0.017%
25	0.034%	0.015%	0.055%	0.024%
30	0.027%	0.019%	0.057%	0.031%
35	0.040%	0.025%	0.072%	0.040%
40	0.071%	0.036%	0.100%	0.060%
45	0.106%	0.053%	0.155%	0.091%
50	0.165%	0.082%	0.255%	0.142%
55	0.257%	0.117%	0.412%	0.215%

Withdrawal Rates

- For the valuation last year, the withdrawal rates were developed by WTW based on detailed withdrawal experience analysis of actual ABC company employee terminations over the five-year period from November 1, 2014 to October 31, 2019.



- We propose that these rates be retained for this year's actuarial valuation.

お問い合わせや詳細に関しましては、
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