

Appendix 2

Comments on the Exposure Draft and Responses

The exposure draft of this revision of ASOP No. 34, *Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions*, was issued in September 2014 with a comment deadline of January 31, 2015. Five 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 proposed changes.

Summarized below are the significant issues and questions contained in the comment letters and the responses to each.

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 exposure draft.

GENERAL COMMENTS	
Comment	One commentator suggested terms such as “users,” “direct users,” and “likely audience” need to be better explained and that, with respect to administration of a domestic relations order, the term “intended user” should be narrowly defined as the principal (generally the plan sponsor). This commentator also believed that with respect to actuarial valuations the term “intended user” should be broader.
Response	The reviewers believe the terminology in the ASOP is sufficiently clear and therefore made no change.
SECTION 2. DEFINITIONS	
Section 2.1, Actuarial Valuation	
Comment	One commentator suggested that the division of benefits under domestic relations orders should be specifically excluded from the definition of “actuarial valuation” so that the guidance applicable to actuarial valuations does not apply.
Response	The reviewers believe the guidance in the last sentence of the first paragraph of section 3.3 provides sufficient guidance regarding the application of the requirements of that section to reviewing or implementing a domestic relations order and, therefore, made no change.
Section 2.3, Allocation Date	
Comment	One commentator suggested changing the phrase “benefits earned during the marriage” to “benefits to be divided” as domestic relations orders can and often do allocate benefits that are earned outside the marriage period.
Response	The reviewers agree with the commentator’s concern and modified the language to refer to “benefits deemed attributable to the marriage.”
Section 2.6, Allocation Period	
Comment	One commentator suggested changing the phrase “benefits earned during the marriage” to “benefits to be divided” as domestic relations orders can and often do allocate benefits that are earned outside the marriage period.
Response	The reviewers agree with the commentator’s concern and modified the language to refer to “benefits deemed attributable to the marriage.”
Section 2.10, Domestic Relations Law	

Comment	One commentator suggested that prenuptial, postnuptial and other agreements may supersede domestic relations law and suggested that the phrase “other binding authority” be made more specific to encompass these agreements.
Response	The reviewers believe the existing language regarding other binding authority is sufficiently clear and therefore made no change.
SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES	
Section 3.1, Overview	
Comment	One commentator found the term “court order” potentially confusing as the standard defines the term “domestic relations order.”
Response	The reviewers agree and modified the term “court order” to the defined term “domestic relations order” throughout the standard where appropriate.
Section 3.2.2, Disclose Any Conflicts of Interest	
Comment	One commentator suggested that the example in this section was neither appropriate nor clear and requested that it be deleted or at least modified.
Response	The reviewers agree and modified the example.
Section 3.3, Actuarial Valuation	
Comment	One commentator suggested that it is not always necessary for the actuary to select an allocation method.
Response	The reviewers agree and inserted “if applicable” before the requirement to select an allocation method.
Section 3.3.3(a), Direct Tracing and Fractional Rule Methods	
Comment	One commentator suggested that it would very often be inappropriate for an actuary to choose a method that allocated benefits based on the direct tracing approach applied to vested benefits.
Response	The reviewers agree and modified the language.
Section 3.3.4(c), Annuity Purchase	
Comment	One commentator suggested that the guidance should indicate that if an actuary were to use an annuity purchase price in the actuary’s valuation, the annuity purchase price should reflect the applicable benefit features.
Response	The reviewers agree and modified the language.
Section 3.3.4(h), Compensation Scale	
Comment	One commentator suggested that the example in this section was potentially misleading and suggested it be deleted.
Response	The reviewers agree and deleted the example. In addition, language was added to indicate the actuary should determine whether future levels of compensation are appropriate for the calculation.
Section 3.3.4(i), Growth of Individual Account Balances	
Comment	One commentator suggested the requirement to use the discount rate as the assumption for future investment return unless another assumption is clearly warranted to be too prescriptive.
Response	The reviewers agree and modified the language to be less prescriptive.
Section 3.3.5, Valuation Process	
Comment	One commentator suggested deleting the last paragraph of this section. The commentator suggested that if this paragraph were not deleted, the language should be replaced to indicate that this “different result” be renamed as a false or incorrect result.
Response	The reviewers agree with the commentator’s concern and modified the language.
Section 3.3.8, Consistency with the Actuary’s Previous Actuarial Valuations	
Comment	One commentator suggested that this section be eliminated as its requirements are too

	restrictive. The commentator offered alternative language.
Response	The reviewers believe the existing language is not too restrictive and made no change.
Section 3.4.3, Participating in Negotiations with Another Expert	
Comment	One commentator suggested replacing the words “irreconcilable positions” with “unreconciled positions,” since the rest of the sentence in this section suggested that the positions will ultimately be resolved.
Response	The reviewers agree and modified the language.
Section 3.7, Assisting in Reviewing or Implementing a Domestic Relations Order	
Comment	One commentator suggested that this section should explicitly mention making sure the benefits are definitely determinable from the plan document and domestic relations order, and disclosing if they are not.
Response	The reviewers agree and modified the language.
SECTION 4. COMMUNICATIONS AND DISCLOSURES	
Section 4.3, General Disclosures	
Comment	One commentator suggested a summary of plan provisions should not be required to be disclosed by the actuary when the actuary is doing a benefit calculation pursuant to a domestic relations order.
Response	The reviewers disagree and made no change.
Section 4.4, Actuarial Valuation Results	
Comment	One commentator suggested that “or source of allocated benefits” be inserted after “a description of the allocation method” in section 4.4(b). Another commentator suggested adding “if any” after “a description of the allocation method.”
Response	The reviewers believe the existing language is sufficiently clear and unambiguous and, therefore, made no change.
Comment	Two commentators suggested “the rationale” be replaced by “a rationale” in section 4.4(b).
Response	The reviewers disagree and made no change.
Comment	One commentator suggested that the wording in section 4.4(d) be changed to require “a brief description of” the rationale.
Response	The reviewers agree and modified the language in section 4.4(d) to require a brief description of the rationale.
Comment	One commentator suggested that section 4.4(d) clearly indicate that rationale for assumptions need not be provided for domestic relations order calculations.
Response	The reviewers believe the guidance provided in section 3.3 is clear in this respect and made no change.