Bartel Associates, LLC

August 27, 2013

Actuarial Standards Board
1850 M St NW, Suite 300
Washington, DC 20036

Re: Proposed Revision of ASOP No. 6

Dear Actuarial Standards Board:

This letter provides comments on the Second Exposure Draft of the Proposed Revision of Actuarial Standard of Practice No. 6 – Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Plan Costs or Contributions.

Bartel Associates, LLC is an actuarial consulting firm specializing in providing California public agencies with actuarial consulting including pension plan valuations and retiree medical valuations. We have prepared "Other Postemployment Benefit" actuarial studies under GASB Statement No. 45 for over 300 California public agencies.

We appreciate all the hard work that went into preparing the Second Exposure Draft and commend the Board and participating actuaries for their effort. In general we agree with the changes suggested. However, we understand Exposure Draft section 3.7.8 would change the community rated exception, requiring an implied subsidy be included for all employers. Claims costs would be developed based on expected age specific claims costs for the entire pool (if available), or based on manual rates or other sources. As mentioned in our July 10, 2012 comment letter on the original Exposure Draft, we believe requiring this approach is inappropriate, leading to illogical results in certain cases and reducing the accuracy of valuations for individual employers participating in a pool. The intent of our original letter was to indicate there are two types of subsidy:

1. The implicit subsidy from active employees to retirees and
2. A cross-subsidy from one employer to another.

Since it is clear the ASB intends to require the calculation of the implicit subsidy and the Governmental Accounting Standards Board has indicated they agree with this approach, this letter will not comment on this change. However, we strongly believe the ASB should consider allowing actuaries the option of adjusting for the cross employer subsidy.

Our July 10, 2012 comment letter included three examples illustrating why the cross employer subsidy should be accounted for. Specifically, a liability established for an employer must be defeased by future contributions. We believe the ASOP should allow (or require) an actuary adjust for demographic differences between the risk pool and each employer. This results in an employer's liability being defeased through contributions when all assumptions are met.

An approach that results in the same aggregate liability for 100 different employers whether or not they are in a single pool undoubtedly makes sense. However, this should not be achieved by sacrificing the integrity of the individual employer results. Actuarial results will be used to disclose and develop financial statement information for each employer and a reader of a financial statement

411 Borel Avenue, Suite 101 • San Mateo, California 94402
main: 650/377-1600 • *fax:* 650/345-8057 • *web:* www.bartel-associates.com

that is misled by the liabilities developed by an actuary will find little consolation with the fact that the aggregated results of all employers in that healthcare pool are accurate.

We appreciate your consideration of these comments.

Sincerely,

John E. Bartel
President

c: Doug Pryor, Bartel Associates

\\bartcafs01\bartel_associates\technical\asop 6\ba asb 13-08-27 asop ed no 6 comments.docx