

RE: Comments on CAS Harmonization Rules

Thank you for the great hard work on the CAS Harmonization Rules. I like it.

I will make some minor or cosmetic comments on CAS Harmonization Rules for the areas that are not clear to me, which I hope the final rules will address or clarify. I present these comments as an individual, not on behalf of any organizations or firms.

### **1. Minimum used in 412-50(b)(7)**

412-50(b)(7)(iii)(C) says “*Minimum required amount means the contribution required to satisfy the minimum funding requirements of ERISA. For purposes of this paragraph, the minimum required contribution shall not include any additional contribution requirements or elections based upon the plan’s ratio of actuarial or market value of assets to the actuarial accrued liabilities measured for ERISA purposes.*”

What does it mean by “*any additional contribution requirements or elections based upon the plan’s ratio of actuarial or market value of assets to the actuarial accrued liabilities*”? Does it mean the contribution requirement to avoid 436 benefit restrictions or does it mean any funding calculations that are based on the FTAP or AFTAP (say, at-risk status, etc.)? Do we need to re-determine the ERISA minimum for CAS purposes by ignoring the at-risk status? When determining the shortfall bases (and/or exemptions), it may also be based on the “ratio” in some way.

It would be preferable if we could use the ERISA minimum requirement for the plan before reduction for any COB and/of PFB.

### **2. The plan year, the tax year, and the CAS accounting period**

CAS rules implies the plan year, the tax year, and the CAS accounting period are all the same. What if they are all different? Should we make any interest adjustment to the minimum and/or maximum or prorate the minimum and/or maximum over two years when we calculate the ACS assignable cost at the beginning of the CAS accounting period?

### **3. Receivable contributions in the assets**

413-50(b)(6)(ii) says “*the present value of such receivable contributions shall be measured in accordance with ERISA*”.

I assume it means that each such contribution shall be discounted to the beginning of the CAS accounting period at the applicable effective interest rate relevant to that contribution.

### **4. Determination of minimum in Table 8 and maximum in Table 9**

If we just take the minimum and maximum for funding purposes, do you think we need to have these two tables? These two items should be included in any funding valuation report. If we have it here, it seems we need to re-determine the minimum and maximum for CAS purposes. In the table, we have used minimum AL and minimum NC to determine the minimum and maximum, which might not be true.

### **5. Allocation of Minimum in Table 23**

I do not see any necessity to allocate the minimum to each segment or segments in this Table. As long as we allocate enough prepayment credits and contributions to each segment or segments to

cover the assignable cost for that segment or segments, the excess will be added to the prepayment credits at the plan level.

## **6. Quarterly Contributions**

CSA rules and all the illustrations presented imply that the assignable pension cost is calculated at the beginning of the plan year. FAR requires the quarterly funding of the plan and the some Government auditors might mandate a specific funding schedule for a plan. How do we make interest adjustment to the CAS assignable cost in these situations?

Assume the Government reimburse the contractor at the end of each year for the assignable pension cost for the year, which is funded. It would be fair that the reimbursement is the assignable pension cost at beginning of the year increased with one year of interest.

## **7. Corridor around Market Value of Assets**

The corridor for CAS purposes applies to the market value after the market value excludes the prepayments credits while the corridor for funding purposes applies to the market value, which does not exclude the prefunding balances. If that si your intention, it is ok since we have some other difference in AV between funding purposes and CAS purposes.

## **8. Assignable Cost Credit and Deficit**

All items seem to be calculated at beginning of the year. To be mathematically correct (or to be balanced in the following year), the end of year values of the assignable cost credits and deficits (or the beginning of year values increased with one year interest) are the bases set up in the following year. Do you think we need to clarify?

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**Sent:** Monday, June 21, 2010 9:04 PM  
**To:** FN-OMB-casb  
**Subject:** Comments on CAS Harmonization Rules  
**Attachments:** Comments on CAS Harmonization Rules.doc

Dear madam and/or Sir,

Attached is my personal comments on the new Harmonization rules. I am not on behalf any organization and/or group. It is purely my personal comments that may or may not be appropriate.

Please let me know if I can be of any help further.

**Guodong Li**

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