**Comments from Alice Fontaine**

The comments below reflect my personal views and not the views of my employer, clients or other organizations.

**APF 2018-44 - DR scenario for Index returns**:

The APF indicates that the proposed DR scenario is "consistent with the Implied Guaranteed Rate Method (IGRM) under Actuarial Guideline XXXVI". and "produces moderately adverse index credited rates". It also states that "the intent of the DR scenario (as defined in VM-20) to be a one standard deviation shock from the mean."

The proposal, however appears to assume that for the deterministic reserve, a gain of 5% over the option budget is always earned. This does not appear to be a moderately adverse assumption.

The analysis supporting the proposal also indicates that use of 105% of the Option Budget to determine the DR scenario creates a rate that is .9 standard deviation from the mean, not 1.0, which was the indicated target.

While I agree that the current approach is not appropriate, it would seem, based on the stated goals and analysis provided, that the proposal should reflect a DR scenario that uses 100% of the Option Budget for index account performance.

Alice Fontaine, FSA, FCIA, MAAA
President & Consulting Actuary
Fontaine Consulting, LLC