



May 15, 2026

Actuarial Standards Board
1850 M Street NW, Suite 300
Washington, DC 20036
Via email to comments@actuary.org

Re: Comments on Exposure Draft of Proposed Revision of ASOP No. 6

Members of the Actuarial Standards Board:

The Pension, Multiemployer Plans, and Public Plans Committees (Committees) of the American Academy of Actuaries’¹ Retirement Practice Council offer the following comments to the Actuarial Standards Board (ASB) in response to the exposure draft of the proposed revision of Actuarial Standard of Practice No. 6, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions* (ASOP No. 6). We appreciate the effort and careful consideration of the ASB in their work to update ASOP No. 6, which has implications for the entirety of the profession. Note that our comments focus on the role a pension actuary typically takes with respect to these actuarial services (for example, in measuring retiree group benefits or determining program periodic costs or actuarially determined contributions) and do not address actuarial services more traditionally performed by a health care actuary (for example, setting certain health care-related assumptions, such as initial per capita health care cost assumptions and health care trend rates).

We have the following comments on the current exposure draft in the format you requested. Note that recommended new text has been underlined and deleted text is listed in strikethrough.

I. Identification:

Name of Commentator / Company

Pension Committee, Multiemployer Plans Committee and Public Plans Committee of the American Academy of Actuaries’ Retirement Practice Council.
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II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Question No.	Commentator Response
1	<p>Is the guidance on age-specific costs, specifically related to pooled health plans (section 3.7.7[a]) and exceptions to use of age-specific costs (section 3.7.7[b]), clear and appropriate? If not, please explain.</p> <p>As pension actuaries, as noted above, this is not an area on which we are providing comments.</p>
2	<p>This proposed standard requires the actuary to identify and assess pertinent risks when performing all valuations related to retiree group benefits. In contrast, ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, only applies when performing funding-related valuations for pension plans. Is it appropriate to apply the guidance in sections 3.28 and 3.29 to all valuations related to retiree group benefits, including valuations for accounting measurements, rather than only funding-related valuations?</p> <p>We think consistency between pension (ASOP Nos. 4 and 51) and retiree group benefits valuations is of utmost importance. Unfunded pension plans, such as unfunded nonqualified pension benefits, do not require disclosures under ASOP No. 51. Therefore, we think that the guidance in sections 3.28 and 3.29 should only apply to funding-related valuations for retiree group benefits programs.</p> <p>Given that these benefits are not generally guaranteed or always funded, such an assessment is not expected to add significant value in most circumstances, especially given the amount of effort required to provide this assessment. However, if such an assessment is required, it should only be required for a funding valuation (see our comments for section 2.19 about changes to the funding valuation definition).</p>
3	<p>Is section 3.2, General Procedures, helpful?</p> <p>Although arguably the information in section 3.2 is covered later in the standard, we think it is helpful to have this section in the standard. Not only is it consistent with ASOP No. 4, but it is a handy checklist that the actuary can use when valuing retiree group benefits programs.</p>

III. Specific Recommendations:

Section # (e.g. 3.2.a)	Commentator Recommendation (Please provide recommended wording for any suggested changes)	Commentator Rationale (Support for the recommendation)
1.1	<p>Purpose—This actuarial standard of practice (ASOP or standard) provides guidance to actuaries when performing actuarial services <u>that involve with</u> respect to measuring obligations, determining periodic costs or actuarially determined contributions,</p>	<p>We propose this change for consistency with the recently amended ASOP No. 27 (although we note the wording in the exposure draft is consistent with the earlier amended ASOP No. 4), as well as to link the actuarial services more closely to the work that is covered by this standard. The</p>

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	or setting assumptions for retiree group benefits programs .	phrase “with respect to” is commonly used as concerning or relating to something. A service that is related to something is broader than a service that actually involves something and could inadvertently include things that shouldn’t be covered by this standard.
1.2, first paragraph	Scope—This standard applies to actuaries when performing actuarial services <u>that include with respect to</u> measuring obligations, determining periodic costs or actuarially determined contributions , or setting assumptions for retiree group benefits programs , including the following tasks:	This change is consistent with the suggested change for section 1.1 above.
1.2.d	projection of obligations, periodic costs or actuarially determined contributions , and other related measurements, such as cash flow projections, and funded status projections.	Consistent with ASOP No. 4, a comma was missing in front of “such as”.
1.2, fourth paragraph	This standard does not apply to actuaries when performing actuarial services with respect to pension plans as defined in ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> , or social insurance programs as defined in ASOP No. 32, <i>Social Insurance</i> (<u>unless an ASOP on social insurance explicitly calls for application of this standard</u>), or life insurance or annuity pricing.	Consistent with ASOP No. 27, wording should allow for circumstances when ASOP No. 32 should apply to the actuarial services since Medicare and Medicaid are social insurance programs. Consistent with ASOP No. 4, there are also other calculations that are occasionally performed for benefits provided under retiree group benefits programs that should be excluded. For example, there are insured life and annuity products available for some of these programs, and pricing of these products should be outside the scope of this standard.
1.2, sixth paragraph	As discussed in ASOP No. 41, Actuarial Communications, an assumption or method may be selected by the actuary or selected by another	This change is consistent with ASOP No. 27. Note that ASOP No. 27 specifically notes section 3.20 and not all of section 3,

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	party. Nothing in this standard is intended to require the actuary to select an assumption or method that has otherwise been selected by another party. When performing actuarial services using an assumption or method not selected by the actuary, the guidance in section 3 and section 4 on assessment and disclosure, <u>respectively</u> , applies.	so a more specific section reference may be considered.
1.4	Effective Date—This standard is effective for any actuarial report that meets the following criteria: (a) the actuarial report is issued on or after twelve months after <u>public issuance</u> adoption of this standard by the Actuarial Standards Board (ASB); and (b) the measurement date in the actuarial report is on or after twelve months after <u>public issuance</u> adoption of this standard by the ASB.	To allow enough time to adopt these significant changes, the effective date should be linked to when the actuarial community is first able to review the final revisions, which may be later than when the ASB formally adopts the standard. Alternatively, a specific date could be entered. However, we do agree that 12 months is an appropriate time period given the significant changes made to this standard.
2.6	Actuarially Determined Contribution—A potential payment, other than by a retired participant , to prefund <u>all or a portion of the retiree group benefits program</u> , as determined by the actuary using a contribution allocation procedure . It may or may not be the amount actually paid by the plan sponsor or other contributing entity. For the purposes of this standard, premiums and budget rates are not actuarially determined contributions, nor are measurements if the primary purpose of the measurement is not to determine a program contribution, for example calculations of a maximum tax-deductible contribution to a voluntary employees’ beneficiary association or other welfare benefit trust, subordination limitations to an Internal Revenue Code section 401(h) account or calculation of plan sponsor accounting costs.	Note that a plan sponsor may decide to prefund only a portion of the plan and not all of the plan. For example, a public plan may only prefund the explicit subsidy and use pay-as-you-go for the implicit subsidy. Also, benefits for certain employees (for example, highly compensated employees) may be excluded from the funding valuation by federal law. The term “Actuarially Determined Contribution” should only refer to the contribution for the prefunded portion of the plan. It should not include any portion of the retiree group benefits plan that is funded on a pay-as-you-go basis. Since there is no funding requirement or adequate tax efficient funding vehicle for some of these plans, some sponsors prefund some portion of these benefits based on other determinations (such as cash flow and deduction needs); therefore,

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		there is not always a need for an actuarially determined contribution when a plan sponsor funds these benefits. Calculations of the maximum tax-deductible contribution are based on federal tax law and are not meant to be interpreted as an actuarially determined contribution method. In addition, sometimes a plan sponsor may decide to contribute the accounting cost for the plan (or some other readily available amount) even though the accounting cost valuation is not intended to be a contribution calculation.
2.10	Benefit Plan—An arrangement providing medical, prescription drug, dental, vision, legal, death, long-term care, or other benefits (excluding retirement income benefits) to participants of the retiree group benefits program, regardless of the basis for determining benefits (such as whether on a reimbursement, indemnity, or service-based benefit basis).	There may be other types of bases for determining benefits in the future. In addition, not all of these terms may have the same meaning to all practitioners; therefore, we suggest a more open list that allows for other options.
2.12	Contribution Allocation Procedure—A procedure that determines one or more actuarially determined contributions for a retiree group benefits program . The procedure uses an actuarial cost method , and may use an asset valuation method, an amortization method , <u>or</u> and an output smoothing method . The procedure may produce a single value, such as normal cost plus an amortization payment of the unfunded actuarial accrued liability , or a range of values. This term does not relate to the process of determining the participant contribution .	Consistent with ASOP No. 4, use of the word “or” instead of “and” is appropriate since generally not all are used for every valuation and only one of these might be used.
2.18	Funded Status—Any comparison of a particular measure of retiree group benefits program dedicated assets to a particular measure of program	Funded status implies assets actually dedicated to the plan and should not include those that may not be available to pay benefits in the future. Non-dedicated

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	obligations.	<p>assets might be used for management planning around how benefits may be paid but they are not true assets of the program. Therefore, the funded status definition should use the defined term “dedicated assets” to ensure that non-dedicated assets are not included. Note in general that the exposure draft may benefit from more review around when defined terms and non-defined terms for assets are used, as it is not clear to us why non-dedicated assets might be included in certain sections of the ASOP. For example, assets that are held by the company in a vehicle not legally required to be used to provide benefits under the retiree group benefits program could be very misleading to the intended user if they are reflected in a measurement that is labeled as the program’s funded status. It is also not clear what is intended when a non-defined term is used.</p> <p>Also, if there is continued use of the defined term retiree group benefits program assets, we suggest moving that definition from section 3.14 to section 2.</p>
2.19	<p>Funding Valuation—A measurement of <u>all or a portion of retiree group benefits program</u> obligations or projection of cash flows performed by the actuary intended to be used by the principal to determine program contributions for prefunding or to evaluate the adequacy of specified contribution levels to support benefit provisions. <u>A valuation is not a funding valuation solely because the plan sponsor contributes an output from that valuation to the plan if the primary purpose of the measurement is not to determine a program contribution, for example calculations of a maximum tax-</u></p>	<p>As noted above, a plan sponsor may decide to prefund only a portion of the plan and not all of the plan. The term “Funding Valuation” should only refer to the portion of the plan that is intended to be prefunded.</p> <p>The second change is consistent with our suggested revision to section 2.6.</p>

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	<u>deductible contribution to a voluntary employees' beneficiary association or other welfare benefit trust, subordination limitations to an Internal Revenue Code section 401(h) account or calculation of plan sponsor accounting costs.</u>	
New definition for section 2	Gain and Loss Analysis—An analysis of the effect on the plan's funded status between two measurement dates resulting from the difference between expected experience based upon a set of assumptions and actual experience.	We think this definition from ASOP No. 4 is important for consistency and to support our comment about gain and loss analysis (see our comment on section 3.23.2).
2.21	Measurement Date—The date as of which the values of the retiree group benefits obligations and, if applicable, retiree group benefits program assets are determined.	In ASOP No. 4, the word “obligation” is plural. Also, we think this should use the defined term for retiree group benefits program assets instead of an undefined term that is not specific.
2.23, first paragraph	Medicare Integration—For benefit plans that have <u>claims payment coordinated integrate</u> with <u>traditional Original Medicare fee-for-service coverage</u> , the approach to determining the portion of a Medicare-eligible claim that is paid by the benefit plan after adjustment for Medicare reimbursements for the same claim. Types of Medicare integration include the following:	We suggest not defining the term integration with the word “integrate.” Also, most plans do not integrate with the Medicare program as it existed when it was first established, so we suggest changing “original” to “traditional.”
2.29	Periodic Cost—The amount assigned to a period using a cost allocation procedure for purposes other than funding. This may be a function of retiree group benefits program obligations, normal cost, expenses, or and dedicated assets . In many situations, periodic cost is determined for accounting purposes.	Consistent with ASOP No. 4, use of the word “or” instead of “and” is appropriate since generally not all are used for every valuation and only one of these may be used. Periodic cost calculations are based on dedicated assets. Other assets generally cannot be used for these calculations.
2.33	Prescribed Assumption or Method Set by Another Party—A specific assumption or method that is selected by	Consistent with the definition in ASOP No. 4, we suggest removing the comma after “retiree group benefits program” and

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	<p>another party, to the extent that law, regulation, or accounting standards gives the other party responsibility for selecting such an assumption or method. For this purpose, an assumption or method set by a governmental entity for a retiree group benefits program, which such governmental entity or a political subdivision of that entity directly or indirectly sponsors, is deemed to be a prescribed assumption or method set by another party.</p>	<p>adding the missing comma at the end of the phrase “entity that directly or indirectly sponsors.”</p>
2.34	<p>Prescribed Assumption or Method Set by Law—A specific assumption or method that is mandated or that is selected from a specified range or set of assumptions or methods that is deemed to be acceptable by applicable law (<u>statutes, regulations, or other legally binding authority</u>). For this purpose, an assumption or method set by a governmental entity for a retiree group benefits program, which such governmental entity or a political subdivision of that entity directly or indirectly sponsors, is not deemed to be a prescribed assumption or method set by law.</p>	<p>This proposed revision is consistent with the wording of ASOP No. 4.</p>
3.4.2	<p>Events after the Measurement Date—If the actuary is aware of events that occur subsequent to the measurement date and prior to the date of the actuarial communication, the actuary should reflect those events appropriately for the purpose of the measurement. The actuary should determine whether the purpose of the measurement requires, prohibits, or allows the actuary the option of reflecting such events in the measurement. <u>Unless the purpose of the measurement requires or prohibits the inclusion of such events, the actuary may, but need not, reflect these events in</u></p>	<p>The additional sentence we are suggesting is in ASOP No. 4, and we think it is important to include here. Without the additional sentence, it is not clear whether actuaries have to reflect these events if they determine it is not required by the purpose of the measurement.</p>

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	<u>the measurement.</u>	
3.4.3, first paragraph	<p>Adjustment of Prior Measurements (Roll-Forwards and Roll-Backs) —The actuary may adjust the results from a prior <u>or later</u> measurement in lieu of performing a new detailed measurement if, in the actuary’s professional judgment, such an adjustment would produce a reasonable result for the purpose of the new measurement. The actuary should reflect significant changes in the following items: <u>consider reflecting items to ensure such an adjustment would produce a reasonable result, such as the following, if known to the actuary:</u></p> <ol style="list-style-type: none"> a. <u>changes in</u> the number of participants or the demographic characteristics of that group; b. <u>length of time since the prior measurement;</u> c. <u>changes in</u> claims costs; d. <u>changes in</u> economic and demographic expectations; e. <u>differences between actual and expected</u> cash flows and investment performance; f. <u>changes in retiree group benefits program</u> design; g. <u>legislative changes;</u> and h. <u>changes in medical trend, or other key model components, that could have a significant impact on the measurement.</u> 	<p>Adjustments of prior measurements can be done in both directions and are not always roll-forwards. For example, participant data may be available as of a date following the measurement date (such as active data in connection with a pension funding valuation) and adjustments could be made to roll obligations back to the measurement date.</p> <p>In addition, we think the last sentence in ASOP No. 4 is more appropriate here than what is currently in the draft. Not all significant changes are known to the actuary, so the actuary should only be responsible for reflecting those that are known. Also, adjustments should be made only if they would produce a reasonable result.</p> <p>It is also important to have consistency on this point so that the actuary whose work is subject to both ASOP Nos. 4 and 6 will not have to comply with different standards for making adjustments for pension vs. non-pension retirement plans. If this last sentence is changed, then the subsections should be edited for consistency.</p> <p>We have also called out legislative changes and medical trend as two items that can have a significant impact on retiree group benefits valuations.</p>
3.5	<p>Modeling Provisions of Retiree Group Benefits Programs—The actuary should incorporate into the model the significant provisions of the retiree group benefits program known to the actuary, <u>as appropriate for the purpose of the measurement.</u></p>	<p>Consistent with ASOP No. 4, we think provisions should only be included if both significant and appropriate for the purpose of the measurement.</p>

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3.5.2.g	Benefit Options—The actuary should take into account the effect of benefit options . If benefit options are grouped for developing per capita costs, the actuary should confirm that such grouping is <u>reasonable for the purpose of the measurement</u> . not expected to significantly affect the measurement results.	We think that a clarification of what should be confirmed is appropriate, and that the actuary should confirm that any grouping of benefit options be reasonable for the purpose of the measurement, consistent with the phrasing of other assumptions in ASOP Nos. 4 and 6.
3.5.3	Modeling by Category—The actuary should assess whether the model needs to be refined by category (for example, medical vs. dental; HMO vs. PPO; union vs. nonunion; retiree vs. dependent; retiree group benefits program paid vs. participant paid; and payments before Medicare eligibility age vs. payments after Medicare eligibility age). A refinement may be necessary as a result of the <u>purpose of the measurement</u> nature of the assignment or to assess the reasonableness of the model.	It is not clear what is intended by the phrase “nature of the assignment” that is different from the typical phrase “purpose of the measurement.”
3.6.1, second paragraph	The actuary may use grouped census data in lieu of individual census data, provided that, in the actuary’s professional judgment, the grouping is <u>reasonable for the purpose of the measurement</u> . not expected to significantly affect the measurement results. The actuary should consider collecting data for retirees or other former employees who declined or terminated coverage to select participation assumptions, including election of coverage at retirement, lapse, and re-enrollment rates.	A grouping might be expected to affect the measurement results, so it may not be clear what the actuary should be confirming in this last sentence. We think that a clarification of what should be confirmed is appropriate, consistent with wording elsewhere in the standard, and that the actuary should confirm that any grouping of benefit options be reasonable for the purpose of the measurement.
3.6.2	Employees Currently Not Accruing Eligibility Service—Depending on the purpose of the measurement, the actuary should assess whether some or all of the employees currently not accruing service toward retiree group benefits program	We think this paragraph should more clearly state what the actuary should consider in assessing appropriateness and this is consistent with wording elsewhere in the standard.

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	eligibility may accrue service in the future, and whether some or all of the employees currently not making required preretirement participant contributions may contribute in the future, and make appropriate allowance for them in the modeled population <u>if appropriate for the purpose of the measurement.</u>	
3.6.3	Contingent Participants—The actuary should <u>review</u> examine the census data and make appropriate adjustments to the data or model to reflect contingent participants . For example, the actuary may need to select a re-enrollment assumption for contingent participants .	Consistent with ASOP No. 23, we suggest using the word “review,” especially since the word “examine” appears to require a deeper level of analysis than “review.”
3.6.4, second paragraph	The actuary should consider modeling dependents (other than dependent children) separately from retired participants because of differences in the timing of Medicare eligibility and in mortality between the retired participant and the dependent . For dependent children (including adult dependent children with disabilities), the actuary should assess whether the obligation related to dependent children is significant and model them <u>if appropriate for the purpose of the measurement</u> appropriately . For example, for retiree group benefits programs that have liberal early retirement eligibility conditions, dependent children coverage can significantly increase the overall number of participants and, therefore, have a significant effect on the size of the covered population .	We think this paragraph should more clearly state what the actuary should consider in assessing appropriateness and this is consistent with wording elsewhere in the standard.
3.7, third paragraph	The actuary should document the methods and procedures followed in developing the initial per capita health care costs, such that another actuary	The purpose of this documentation is unclear. If this is intended to be internal documentation, that is already covered by section 3.33 and should not be required to

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	qualified in this practice area could assess the reasonableness of the initial per capita health care costs. The actuary should also document any significant actuarial judgments applied during the modeling process.	be provided to any other actuary. Internal documentation is generally something the actuary should consider keeping to support work product, but it is a suggestion and not a requirement in other retirement ASOPs. If this is something that is required in an actuarial report, it should be in section 4. Either way, having this paragraph here is confusing and this concept should be moved to where all other documentation and disclosures are located in the standard.
3.7.7b(1)	the measurement period is sufficiently short that aging is <u>reasonable for the purpose of the measurement</u> not expected to significantly affect the measurement (for example, a three-year cash flow projection for a plan sponsor's budget forecasting, or a projection of a closed retiree group in a pooled health plan where all coverage ends in five years); or	Consistent with other wording, we suggest changing to make sure the aging is reasonable for the purpose of the measurement.
3.7.14	Benefit Plan Administrative Expenses—Consistent with the purpose of the measurement, the actuary should include applicable benefit plan administrative expenses when performing the measurement. The actuary may include expenses in claims costs; express them on a per capita basis, as a percentage of claims, or as fixed amounts; or use any other reasonable method <u>appropriate for the purpose of the measurement</u> .	We think this paragraph should more clearly state what the actuary should consider in assessing reasonableness and this is consistent with wording elsewhere in the standard.
3.8	Modeling the Cost of Death Benefits—When death benefits are provided through a benefit plan , the actuary should select assumptions and measurement methods that take into account face death benefit <u>payable</u> amounts and their age-specific costs, any applicable participant contributions , implicit subsidies, and any applicable	The term “face amount” may not be sufficiently clear. We suggest using more explicit wording.

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	life insurance company administrative expenses and risk charges.	
3.9	Model Consistency—The actuary should review the modeled provisions of the retiree group benefits program, including the covered population , per capita health care costs, and death benefit costs as a whole to evaluate their consistency. The actuary should refer to ASOP No. 56 for guidance on model consistency.	We note that in section 2.10, there are other benefits that might be included in the plan besides just health care and death benefits; therefore, we think this should allow for those other benefits. Using the word “including” allows for other types of benefits that could be reviewed besides the two noted.
3.12	Other Information from the Principal—The actuary should obtain from the principal other information, such as accounting policies, funding elections , or funding policies necessary for the purpose of the measurement.	We do not know of any funding elections used with these plans that are similar to the funding elections used by pension plans. We suggest removing “funding elections” due to potential confusion with pension funding elections. If there is a desire to include something about the actual plan funding in this list, we suggest “funding decisions” or “contribution decisions” made by the plan sponsor, since there is usually not a formal election.
3.13, second paragraph	<p>The actuary should select assumptions such that the combined effect of the assumptions selected by the actuary is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic) except when provisions for adverse deviation or plan provisions that are difficult to measure are included or when alternative assumptions are appropriate for the purpose of the measurement.</p> <p><u>In addition, the actuary should assess whether the combined effect of assumptions is expected to have no significant bias (i.e., it is not significantly optimistic or pessimistic) except when provisions for adverse deviation are included or when alternative assumptions are used for the</u></p>	Since both ASOP Nos. 4 and 6 refer to ASOP No. 27 with respect to assumptions, we think it is important to have consistency on the combined effect of assumptions. This way, the actuary whose work is subject to both ASOP No. 4 and 6 will not have to comply with different standards for making adjustments for pension vs. non-pension retirement plans.

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	<p><u>assessment of risk. For this purpose, the actuary should assess assumptions other than 1) prescribed assumptions or methods set by law and 2) assumptions that the actuary has not selected and is unable to assess for reasonableness for the purpose of the measurement.</u></p>	
3.13.1a and b	<p>a. <u>consider</u> take into account factors such as general inflation, medical inflation, utilization, technology improvements, definition of covered charges, and leveraging caused by health plan design features not explicitly modeled (for example, the effect of Centers for Medicare and Medicaid Services funding levels on Medicare Advantage Plans);</p> <p>b. <u>consider</u> take into account major cost components such as hospital, prescription drugs, other health care services, stop-loss premiums, and administrative expenses, and consider using different trend rates for such components;</p>	Consistent with sections 3.13.1c and d, we suggest changing “take into account” to “consider,” as the intention of “take into account” is not clear.
3.13.1, second full paragraph	<p>When developing an initial trend assumption, the actuary should <u>consider</u> take into account known or expected changes in per capita health care costs in the year(s) following the measurement date, the sustainability of current trends over an extended period, and the possible need for an ultimate trend assumption that is different from the initial trend assumption.</p>	Consistent with the prior comment and wording in section 3.13.1c and d, we suggest changing “take into account” to “consider.”
3.13.7	<p>Retirement—When selecting a retirement assumption, the actuary should follow the guidance in ASOP No. 27. The actuary should select rates of retirement and benefit commencement consistent with the provisions of the retiree group benefits program, <u>as well as the</u> which may differ from provisions of any associated pension plan, <u>which</u></p>	<p>When a participant is covered by both a pension and a retiree group benefits program, the provisions of both programs will affect when a participant retires and commences benefits. While it is true that these provisions may differ, both will have an impact on a participant’s behavior. However, we are not suggesting that the retirement rates for the two programs need</p>

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	<u>may be different.</u>	to match since there may be reasons for differences (for example, plan eligibility may be different).
3.13.9.a	Retiree Group Benefits Program Participation—When selecting participation assumptions, the actuary should consider reflecting the effects of initial acceptance, lapsing, and re-enrollment. Furthermore, when selecting participation assumptions, the actuary should take into account the following factors, <u>subject to the availability of information or data</u> :	Not all of this information may be available to the actuary. For example, the plan may be new with no available data, or there may have been significant design changes for which there is no current or historical data to reference.
3.13.9.b.ii	current proportions of similar such elections among current active members;	If the benefit options are new/different plan options, there may not be an exact analog. Therefore, we believe “similar” would be more appropriate than “such.”
3.13.10, second paragraph	Unless inconsistent with the purpose of the measurement <u>or there is a formal announcement to terminate a program</u> , the actuary should assume that the retiree group benefits program will continue indefinitely even though many plan sponsors have reserved the right to change unilaterally or terminate their retiree group benefits programs . When consistent with the purpose of the measurement, the actuary should measure uncertain future changes in the retiree group benefits program provisions, <u>such as future legislative changes and plan sponsor changes that are known to the actuary</u> , assuming explicit probabilities for those changes, <u>if appropriate</u> .	Depending on the purpose of the measurement, it may not be appropriate for the actuary to assume continuation of the program if a formal announcement or communication to terminate the plan has been made prior to issuance of the report. The last sentence as written could be read to refer to the broad range of potential future changes a plan sponsor could make to the plan, and should be limited to only those that the actuary knows the plan sponsor is considering making. Otherwise, this would make measurement impractical. Note that it was not clear to us when an actuary would model a probability of a change in measurement. If there is a potential change to legislation or plan provisions that a plan sponsor is considering, usually they want to know the full cost of that potential change.
3.13.11	Investment Return Assumption—When selecting an investment return	Retiree group benefits programs may be funded from multiple sources of assets,

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	<p>assumption, the actuary should follow the guidance in ASOP No. 27. When selecting an investment return assumption for the purpose of determining a discount rate for a funding valuation, the actuary should take into account the anticipated returns of all known sources of assets the plan sponsor intends to use to satisfy retiree group benefits program obligations, including any known sources other than the program’s dedicated assets. For example, if a plan sponsor relies on <u>assets that are set aside, but are not dedicated assets operating funds</u> to satisfy a portion of retiree group benefits program obligations, the anticipated returns on the <u>non-dedicated assets operating funds</u> may <u>differ from be lower than</u> the anticipated returns on the program’s dedicated assets.</p>	<p>some of which may not be legally restricted to the retiree group benefits program. These non-dedicated assets have investment restrictions that are often more stringent than those of dedicated assets, which may affect the expected rate of return. However, these non-dedicated assets are not operating funds. Operating funds are the source of all future contributions to pension and retiree group benefits programs. Consequently, the reference to reliance on operating funds implies that actuaries should consider the return on future contributions in selecting the investment return assumption. We suggested modified wording to make it clear that the actuary should consider the expected return on pools of assets on which the plan sponsor relies, even if the assets are not legally dedicated to the retiree benefits program.</p> <p>Note that we generally found the discussion of assets other than dedicated assets to be confusing and it was not always clear to us why or when non-dedicated assets would be appropriate to use in a measurement.</p>
3.15	<p>Relationship Between Asset and Obligation Measurement—The actuary should measure the retiree group benefits program obligation in a manner that is consistent with the assets supporting the obligation as reported as of the measurement date, with respect to benefits paid versus benefits yet to be paid. For <u>clarification-example</u>, if the retiree group benefits program or plan sponsor assets have been reduced to reflect particular benefit payments, then the value of those benefit payments should be excluded from the obligation.</p>	<p>Instead of “For example,” which implies many other types of inconsistency, we believe the intent here is to avoid double counting or omissions and so “For clarification” would be a more accurate phrasing.</p>

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3.16.a, second paragraph	When a plan has no active employee participants , a reasonable actuarial cost method will not produce a normal cost for benefits. For purposes of this standard, an employee participant does not cease to be an active employee participant merely because the employee is no longer accruing benefits under the plan. <u>However, depending on the purpose of the measurement, a reasonable actuarial cost method may not produce a normal cost for benefits if all active employee participants are fully eligible for retiree group benefits and they do not need to provide additional service to receive those benefits.</u>	Under U.S. GAAP, there is no normal cost for active employees who are fully eligible for benefits and do not need to work anymore to receive benefits under the plan.
3.17, 3.17.f	the average remaining service lifetime of active participants; <u>the portion of the participant population that is active and accruing benefits, active and not accruing benefits or no longer actively employed; and</u>	U.S. GAAP terminology does not use the word “lifetime” in the context of service and we think consistent wording should be used here. Also, although “lifetime” may be a term used by some, it is limiting since mortality is not the only decrement that should be considered in determining an expected future service period. An additional item to consider might be the portion of the participant population that is actively employed, actively accruing benefits or no longer actively employed, as that may affect the appropriate amortization period.
3.17, third paragraph	When selecting an amortization method , the actuary should select an amortization method that is expected to produce total amortization payments that are expected to fully amortize the unfunded actuarial accrued liability of the portion of the retiree group benefits program that is intended to be <u>prefunded</u> within a reasonable <u>time period</u> amount or reduce the unfunded actuarial accrued liability by a	We think this paragraph should be clarified to indicate that the unfunded amount is the unfunded actuarial accrued liability, similar to the wording in the sentence following this paragraph. If the ASB feels it is redundant to use the full term twice in this section (though we see the value in spelling out the full term both times), then we suggest using the full term in the first

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	reasonable amount within a sufficiently short period.	instance and the abbreviated term later in the section. In addition, the unfunded actuarial accrued liability here should only be for the portion of the program that is intended to be prefunded, within a reasonable time period, consistent with the requirement in ASOP No. 4.
3.19.d.	relevant input from the principal, for example, <u>the portion of the retiree group benefits plan intended to be prefunded</u> or a desire to achieve a target funding level within a specified time frame.	As noted above, many sponsors choose to prefund only a portion of the retiree group benefits program. This is a key consideration in selecting a contribution allocation procedure.
3.22.a	retiree group benefits program experience differing from that anticipated by the assumptions, as well as the effect of new entrants;	The defined term is missing an “s,” (to be consistent with section 2.36).
3.23.2	<p>Results Compared to Last Measurement—The actuary should compare the overall results to the last measurement’s results when available and applicable. If the results are significantly different from results the actuary expected based on the last measurement, the actuary should determine the material sources of such differences. If another actuary performed the prior measurement, some allowance may be made for differences due to different actuarial techniques or modeling. The actuary should, if practical, review the prior actuary’s documentation and, if necessary, seek further information.</p> <p><u>Gain and Loss Analysis—When performing a funding valuation, the actuary should perform a gain and loss analysis for the period between the prior measurement date and the current measurement date, unless in the</u></p>	<p>We think it is very important to require a gain and loss analysis for funding valuations, similar to the wording in ASOP No. 4. A gain or loss analysis would add value to the valuation process and would provide information about the impact of major assumptions and the risks they hold in the valuation.</p> <p>For many retiree group benefits programs, the largest source of gain or loss is the change in health care claims costs. We think that identifying these amounts separately is important for any assessment and disclosure of risk, as provided for in the exposure draft.</p>

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	<p><u>actuary’s professional judgment, successive gain and loss analyses would not be appropriate for assessing the reasonableness of the assumptions. For example, successive gain and loss analyses may not provide useful information about the reasonableness of the assumptions for a small plan in which a single individual accounts for most of the actuarial accrued liability. If a gain and loss analysis is performed, the actuary should at least separate the total gain or loss into</u></p> <ul style="list-style-type: none"> a. <u>investment gain or loss (if applicable),</u> b. <u>gain or loss due to trend and initial per capita health care costs, and</u> c. <u>other gains or losses.</u> 	
3.25		<p>As noted above, since there is no funding requirement or adequate funding vehicle for some of these plans, some sponsors fund benefits based on other determinations (such as cash flow and deduction needs); therefore, there is not always a need for an actuarially determined contribution when a plan sponsor funds these benefits. If the changes we suggested earlier on this point are not made, this issue needs to be addressed in this section 3.25.</p> <p>In addition, for a program that is partially prefunded and partially pay-as-you-go, these disclosures should only apply to the prefunded portion. Otherwise, the disclosures may be misleading.</p>
3.27	<p>Reasonable Actuarially Determined Contribution—When performing a funding valuation, except where the actuarially determined contribution is based on a prescribed assumption or method set by law, the actuary should</p>	<p>As noted above, many retiree group benefits programs are partially prefunded and partially pay-as-you-go. It does not make sense to require a reasonable actuarial determined contribution for the portion intended to be pay-as-you-go unless the</p>

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	also calculate a reasonable actuarially determined contribution for any portion of the retiree group benefits program that is intended to be <u>prefunded</u> .	plan sponsor is exploring prefunding the rest of the program.
3.28 and 3.29		As noted above, we think these should only apply to funding valuations, consistent with ASOP No. 51.
3.29.2	<p>Low-Default Risk Obligation Measure—When performing a funding valuation, the actuary should calculate a low-default risk obligation measure of the benefits earned (or costs accrued if appropriate under the actuarial cost method used for this purpose) as of the measurement date. The actuary need not calculate this obligation measure more than once per year.</p> <p>When calculating this measure, the actuary should use an immediate gain actuarial cost method.</p> <p>When calculating this measure, the actuary should select a discount rate or discount rates derived from low-default-risk fixed income securities whose cash flows are reasonably consistent with the pattern of benefits expected to be paid in the future. Examples of discount rates that may meet these requirements include the following:</p> <p>a. US Treasury yields; and</p> <p>b. yields on corporate or tax-exempt general obligation municipal bonds that receive one of the two highest ratings given by a recognized ratings agency.</p> <p>When calculating this measure, the actuary should not reflect benefit payment default risk or the financial health of the plan sponsor. Additionally, the actuary should assume that the retiree group benefits program will continue indefinitely even though many plan sponsors have reserved the right to</p>	<p>We do not think that a low-default-risk obligation measure (LDROM) is useful for assessing the risks of most retiree group benefits programs. We suggest the requirement to calculate the LDROM should be deleted.</p> <p>For pension plans, the key rationale for calculating an LDROM is that investment in an LDROM portfolio eliminates the asset-liability mismatch for most pension benefits, producing a theoretical market price for the pension liability, assuming no probability of sponsor default. This price is similar to what an insurance company would charge to settle these benefits using an annuity product and therefore would be a measurement of the potential defeasement cost of the obligation.</p> <p>For the typical retiree group benefits program, this reference portfolio rationale doesn't hold. Most plans are not funded and those that are funded would not eliminate the asset-liability mismatch by investing in an LDROM portfolio. Many argue that fixed income investments are not adequate to align with the actual future medical trend and that equities would be required. Also, insurance companies do not offer retiree group benefits program annuities for most program designs.</p> <p>Traditional retiree group benefits program cash flows are not fixed. They are highly uncertain, in most cases subject to changes</p>

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	<p>change unilaterally or terminate their retiree group benefits programs.</p> <p>Other than the discount rate or discount rates, the actuary may use the same assumptions used in the funding valuation for this measure. Alternatively, the actuary may select other assumptions that are consistent with the discount rate or discount rates and reasonable for the purpose of the measurement, in accordance with ASOP No. 27.</p> <p>The actuary should provide commentary to help the intended user understand the significance of the low default risk obligation measure with respect to the funded status of the retiree group benefits program, contributions, and the security of participant benefits. The actuary should use professional judgment to determine the appropriate commentary for the intended user.</p>	<p>in medical trend rates. A nominal bond portfolio cannot hedge against a spike in utilization or pharmaceutical costs. While TIPS can hedge general inflation, medical inflation has been higher and its volatility distinct. There are no deep, liquid markets for medical inflation bonds. Thus, there is no security that perfectly hedges most retiree group benefits program liabilities.</p> <p>Because healthcare costs are influenced by technological advancements, labor costs, and broader economic factors, retiree group benefits liabilities may, in fact, carry risk premiums closer to equities than to nominal fixed income. A low-default-risk bond cannot replicate the true economic risk of a health care promise.</p> <p>Consequently, sensitivity testing, stress testing, and other techniques provide much better risk assessments for retiree group benefits programs. The potentially misleading approach of LDROM should not be mandated in ASOP No. 6.</p> <p>We think a more useful provision in lieu of an LDROM requirement would be something similar to ASOP No. 51, requiring the actuary to use professional judgment in selecting a risk assessment method for a funding valuation. The standard can offer several methods that could be considered to help with a risk assessment, such as discount rate and/or trend sensitivity, and even an LDROM measurement, where appropriate. The method selected by the actuary could then be appropriately selected based on the characteristics of the plan benefit structure and covered employee groups.</p>
3.30	Collaborating Actuaries Issuing Joint Opinions—The various elements of a retiree group benefits measurement	It is not clear what is intended by the final sentence. If this is intended to mean that two actuaries can share pieces of the

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	<p>may require expertise in health data analysis and long-term projections. In recognition of the complexities involved, two or more actuaries with complementary qualifications in the health and pension practice areas may collaborate on actuarial services within the scope of this standard and jointly issue an opinion in accordance with the U.S. Qualification Standards. When jointly issuing an opinion, one or more actuaries should <u>coordinate to ensure</u> take responsibility for the overall appropriateness of the analysis, assumptions, and results of the joint opinion, including the consistency of assumptions across practice areas.</p>	<p>responsibility of the overall appropriateness, we are fine with this wording. However, if this is saying that at least one actuary must take total responsibility for the overall reasonableness, we have a concern. We do not think that a pension actuary should have to take responsibility for the appropriateness of the health care assumptions; although they may look at the overall gain or loss on those assumptions for reasonableness. We also do not think that a healthcare actuary should have to take responsibility for the long-term economic assumptions, including investment return assumptions.</p>
3.32.c	<p>any other item not addressed above, excluding prescribed assumptions or methods set by another party or prescribed assumptions or methods set by law,</p> <p>the actuary should review the item for reasonableness and consistency to the extent practicable and appropriate within the scope of the actuary’s assignment. In addition, the actuary should be reasonably satisfied that the reliance is appropriate, taking into account the following, as applicable:</p>	<p>It appears there may be a spacing/indenting issue in section 3.32.c. Should section 3.32.c end after the second comma and the remaining text not be part of c since it should also apply it a and b?</p>
4.1, first paragraph	<p>Required Disclosures in an Actuarial Report—When issuing an actuarial report to which this standard applies, the actuary should refer to ASOP Nos. 23, 27, 41, 44, and 56. In addition, the actuary should disclose the following <u>disclosures when relevant and material</u>. The actuary may comply with some, or all, of the specific requirements of this section by making reference to information contained in other actuarial communications available to the</p>	<p>The suggested wording is consistent with the wording in ASOP No. 4 and is important to capture the appropriate level of disclosure in the report.</p>

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	intended users, such as an annual actuarial valuation report.	
4.1.t	Any <u>known</u> changes in the significant assumptions from those previously used <u>in the immediately preceding for the same type of measurement prepared for a similar purpose</u> , the general effects of such changes, individually or in combination, in words or by numerical data, as appropriate. For each assumption that is neither a prescribed assumption or method set by another party nor a prescribed assumption or method set by law , the actuary should include an explanation of the information and analysis that led to the change. The disclosure may be brief but should be pertinent to the plan's circumstances. The disclosure may reference any actuarial experience or other study performed, including the date of the study.	We suggest these changes for consistency with section 4.1.k of ASOP No. 4 to make sure the required disclosures for assumption changes are consistent between the ASOP Nos. 4 and 6.
4.1.x		If you make our change to section 2.18 above, we suggest consistent changes be made to this section. If you don't make our suggested change to section 2.18, we suggest adding a fourth item to this section that provides the funded status using dedicated assets only.
4.1.ag	if applicable, identification of the actuary (or actuaries) taking responsibility for the overall appropriateness of the analysis, assumptions, and results of a joint opinion, including the consistency of assumptions across practice areas (see section 3.30).	If you agree that section 3.30 allows shared responsibility for the overall appropriateness, then we are fine with this section as drafted. However, if changes are made to section 3.30 to reflect this shared responsibility, then consistent changes should also be made to this section.
4.1.1.a.	a low default risk obligation measure (see section 3.29.2), and: 1. the discount rate or discount rates used and rationale for selection;	Consistent with our comment to remove the LDROM requirement, the associated disclosures should also be removed.

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	<p>2. a description of other significant assumptions, if any, that differ from those used in the funding valuation and rationale for their selection;</p> <p>3. the immediate gain actuarial cost method used; and</p> <p>4. commentary to help the intended user understand the significance of the low-default risk obligation measure with respect to the funded status of the plan, plan contributions, and the security of participant benefits;</p>	
Appendix	Remove	We suggest removing this information and providing it in a practice note, which is a more appropriate vehicle for providing this information. In addition, it allows for more frequent updates to reflect new practice.

We appreciate the ASB’s consideration of these comments. Please contact Janae Nelson, Policy Project Manager, Retirement (nelson@actuary.org; 202-785-7877), if you have any questions or would like to arrange a convenient time to discuss this matter further.

Respectfully submitted,

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