

Appendix 2

Comments on the Second Exposure Draft and Responses

The second exposure draft of this revision of ASOP No. 6 now titled, *Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*, was issued in March 2013 with a comment deadline of August 30, 2013. Thirteen 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 Retiree Group Benefits Subcommittee carefully considered all comments received and the subcommittee, Pension Committee, and ASB reviewed (and modified, where appropriate) the proposed changes.

In addition, comments were received on the second exposure draft of the revision of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. In areas where parallel language is included in ASOP Nos. 4 and 6, changes made to ASOP No. 4 in response to those comments are reflected in this revised standard.

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

The term “reviewers” in appendix 2 includes the subcommittee, the Pension Committee, and the ASB. Also, unless otherwise noted, the section numbers and titles used in appendix 2 refer to those in the second exposure draft.

| GENERAL COMMENTS | |
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| Comment | One commentator suggested that the word “cost” in connection with per capita health costs could be confused with the other uses of the word “cost.” |
| Response | The reviewers note that this usage is common in connection with retiree group benefits programs and that the standard specifically defines “periodic cost,” which is in bold letters wherever it is used, to reduce confusion. The reviewers, therefore, made no change. |
| Comment | <p>A few commentators opined that retiree group benefit actuaries serve clients and not the public at large. In this view:</p> <ul style="list-style-type: none"> • Actuaries serve clients and prepare work for the client’s benefit and at the client’s behest; • No party other than the client should expect to benefit or draw any inference from the actuary’s work; • Other entities in society provide regulations that serve the public interest; • As a result of the prior bullets, the standards should not require any work or disclosure that is intended to benefit interested parties in the public at large. |
| Response | The reviewers considered this viewpoint but concluded the current paradigm for self-governance established by the <i>Code of Professional Conduct</i> requires the ASOPs to reflect the profession’s responsibility to the public and made no change. |

| SECTION 1. PURPOSE, SCOPE, CROSS REFERENCES, AND EFFECTIVE DATE | |
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| Section 1.1, Purpose | |
| Comment | One commentator suggested that benefit payment projections should be mentioned in this section. |
| Response | The reviewers note that cash flow projections are included in the scope of the standard in section 1.2 and made no change. |
| Comment | One commentator suggested that “defined dollar programs or programs containing health retirement accounts” as well as “executive health and/or fringe benefits for retired executives” should be included. |
| Response | The reviewers note that these are examples of retiree group benefits programs and do not need to be explicitly mentioned, and made no change. |
| Section 1.2, Scope | |
| Comment | One commentator suggested that the standard say that it does not apply to individual benefit calculations or nondiscrimination testing. |
| Response | The reviewers believe that the description of the scope of the standard was sufficiently clear and made no change. |
| Section 1.4, Effective Date | |
| Comment | One commentator expressed the opinion that using roll-forward techniques would not be appropriate for measurements performed in actuarial work covered by this standard. |
| Response | The reviewers considered this comment, noted that using roll-forward techniques was a common and appropriate practice in this area, and did not change the language. |
| SECTION 2. DEFINITIONS | |
| Comment | One commentator suggested that the word “group” be defined or be replaced by “population” or “covered population.” |
| Response | The reviewers note that the use of the word “group” in the context of “group being valued” is expected to be understood by the users of the standard and that it might not be the same as the “covered population,” and made no change. |
| Comment | One commentator suggested that the term “obligations” should be defined as this term is used in the title of the standard and throughout the standard. |
| Response | The reviewers believe that the common understanding of this term is sufficient for the purposes of the standard and made no change. |
| Comment | One commentator suggested that the phrase “implicit subsidy” be defined. |
| Response | The reviewers believe that the concept of “implicit subsidy” is commonly understood and made no change. |
| Section 2.9, Benefit Plan | |
| Comment | One commentator suggested changing “Benefit Plan” to “Retiree Benefit Plan,” “Benefit Plan Member” to “Retiree Benefit Plan Member,” and “Benefit Option” to “Retiree Benefit Option.” |
| Response | The reviewers note that while the ASOP covers only retiree group benefits, benefit plans might cover both actives and retirees, and made no change. |

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| Section 2.11, Contingent Participant | |
| Comment | One commentator suggested that this definition is not needed as the defined word “participant” includes “contingent participant.” |
| Response | The reviewers agree with this suggestion and made the proposed change. |
| Section 2.13, Cost Allocation Procedure | |
| Comment | One commentator suggested changes to the definition. |
| Response | The reviewers agree with most of the suggestions and also made other minor modifications to improve clarity. |
| Section 2.14, Covered Population | |
| Comment | One commentator suggested that the phrase “participating dependents” was redundant and confusing. This commentator also asked whether the term “participant” includes “dependents.” |
| Response | The reviewers note that “participants” was intended to include all individuals who are receiving or are reasonably expected to receive benefits coverage and therefore would include “dependents.” In the standard the word “participant” is occasionally modified by the word “active” or “retired” to distinguish a specific type of “participant” from a “dependent.” The reviewers modified the definition of “participant” to explicitly include a “dependent.” |
| Section 2.16, Dependents | |
| Comment | One commentator indicated that it wasn’t clear if yet-to-be-identified dependents were included and proposed language to make it clear that they were included in the definition. |
| Response | The reviewers agree and made the proposed change. |
| Section 2.19, Immediate Gain Actuarial Cost Method | |
| Comment | One commentator questioned the need to define this term. |
| Response | The reviewers note that it was included because of the disclosure requirements concerning “funded status” and to be consistent with ASOP No. 4, <i>Measuring Pension Obligations and Determining Pension Plan Costs or Contributions</i> , and made no change. |
| Section 2.20, Market-Consistent Present Values | |
| Comment | One commentator suggested deleting the phrase “that are expected.” Another commentator asked if it was possible to reflect risk loading or adjustments due to uncertainty in the benefit payments. |
| Response | The reviewers revised the definition to be consistent with the definition in ASOP No. 4. The reviewers made no further change. |
| Section 2.23, Medicare Integration | |
| Comment | One commentator suggested changing “health plan” to “retiree group benefits program” or to “benefit plan.” |
| Response | The reviewers agree and changed “health plan” to “benefit plan.” |
| Section 2.27, Participant Contributions | |
| Comment | One commentator suggested changes to the definition to clarify the intent. |
| Response | The reviewers agree that the definition could have been clearer and made changes to the language to clarify the meaning of the phrase “participant contributions.” |

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| Section 2.30, Pooled Health Plan | |
| Comment | One commentator suggested several changes to improve the clarity of the definition. |
| Response | The reviewers agree with some of the proposed changes, disagree with others, and made further changes to improve clarity. |
| Comment | One commentator suggested replacing “health care cost trend rate assumption” with “health care trend assumption.” |
| Response | The reviewers disagree, noting that including the words “cost” and “rate” help improve the clarity, and made no change. |
| Section 2.32, Premium | |
| Comment | One commentator noted that the “definition of premium as a price incorporates the idea of premium as a rate” and so suggested that throughout the standard the word “premium” be used instead of “premium rate.” |
| Response | The reviewers agree with the suggestion and made the proposed change throughout the standard. |
| Section 2.37, Spread Gain Actuarial Cost Method | |
| Comment | One commentator questioned the need to define this term. |
| Response | The reviewers note that it was included because of the disclosure requirements concerning “funded status” and to be consistent with ASOP No. 4, and made no change. |
| Section 2.40, Trend | |
| Comment | One commentator suggested that the definition not include the word “expected” because trend can also refer to a past change in payment levels. The commentator suggested other related changes. |
| Response | The reviewers agree with the suggestion of deleting the word “expected” but made no other changes. |
| Comment | One commentator suggested that based on the definition of “trend,” in the phrase “trend rate,” the word “rate” was redundant and should be deleted throughout the standard. |
| Response | The reviewers believe that including the word “rate” after “trend” improves the clarity of the guidance and made no change. |
| SECTION 3. ANALYSIS OF ISSUES AND RECOMMENDED PRACTICES | |
| Section 3.3, Purpose of Measurement | |
| Comment | One commentator suggested that projections of benefit payments be included in the list of examples. |
| Response | The reviewers note that the list of examples is not intended to be exhaustive and is similar to the list included in ASOP No. 4. The reviewers, therefore, made no change. |
| Section 3.3.3, Risk or Uncertainty | |
| Comment | One commentator noted that ASOP No. 41, <i>Actuarial Communications</i> , refers to “Uncertainty or Risk” and suggested that the heading of this section be changed accordingly. The commentator also questioned this section’s inclusion given the guidance in ASOP No. 41. |
| Response | The reviewers agree with the proposed change in the heading of the section. They note that considering the uncertainty or risk inherent in a measurement for retiree group benefit purposes is important and the reinforcement of the guidance provided in ASOP No. 41 would be useful to the actuary and retained this section. |

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| Section 3.4.1, Information as of a Different Date | |
| Comment | One commentator felt that this guidance is redundant since the actuary was required in other parts of the standard to make appropriate adjustments. The commentator also felt that this section could be moved to section 3.24 on Roll-Forward Techniques. |
| Response | The reviewers considered the comments and concluded that the placement of the guidance in this section was appropriate in the sequence of items that an actuary should consider in measuring obligations, periodic costs, or actuarially determined contributions, since data may be as of different dates within a valuation year. Also, section 3.24 provides guidance on adjusting results to future valuation dates. Therefore, no change was made. |
| Section 3.5.1(d), Participant Contributions | |
| Comment | One commentator questioned whether a “participating dependent” was included or not. |
| Response | The reviewers note that the definition of “participants” has been modified to make it clear that it includes “participating dependents,” and, therefore, made no change to the definition of “participant contributions.” |
| Section 3.5.1(d)(2), Participant Postretirement Contribution Reasonableness | |
| Comment | One commentator suggested that the concept of “implicit subsidy” could be introduced here. |
| Response | The reviewers believe that the concept of “implicit subsidy” is commonly understood and applies in other parts of the standard as well, and made no change. |
| Section 3.5.1(d)(3), Preretirement Active Employee Contributions | |
| Comment | One commentator opined that the distinction among the different types of contributions could be clarified. |
| Response | The reviewers believe that the difference between pre-retirement active employee contributions and other types of contributions is sufficiently clear, and made no change. |
| Section 3.5.1(d)(4), Participant Contributions as Defined by Limits on Plan Sponsor Costs | |
| Comment | Several commentators suggested changes in this section to make it clearer. |
| Response | The reviewers agree and revised this section to make the guidance clearer. |
| Section 3.5.1(e), Payments from Other Sources | |
| Comment | One commentator asked for clarification on the guidance provided in this section. |
| Response | The reviewers modified the language to make the guidance clearer. |
| Section 3.5.1(f), Health Care Delivery System Attributes | |
| Comment | One commentator suggested that the considerations implied by the example might place an unrealistic burden on the actuary and asked for clarification. |
| Response | The reviewers agree that the example might mislead users of the standard and, therefore, deleted it. |

| Section 3.5.1(g), Benefit Options | |
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| Comment | One commentator noted that the language might be unduly restrictive for several reasons, including a) new benefit options might reduce participant contributions or periodic costs as well as increase them, and b) the actuary may want to consider the effect of benefit options on participants' behavior and adverse selection. |
| Response | The reviewers agree and deleted the relevant language to address the concerns raised by the commentator. |
| Section 3.5.1(h), Anticipated Future Changes | |
| Comment | One commentator suggested changing the phrasing "the actuary should consider only changes..." The commentator also thought that the last sentence cross-referencing the disclosure requirement was redundant. |
| Response | The reviewers agree that "should consider" is not the appropriate language to use in this situation and revised it to "should reflect." To be consistent, later in the section the language "may take into account" was revised to "may reflect." The reviewers believe that reinforcing the disclosure requirement in this section is particularly important in this circumstance and left the cross-reference to the disclosure requirements in the standard. |
| Section 3.5.2(b), Patterns of Plan Changes | |
| Comment | One commentator suggested that changes similar to those recommended in section 3.5.1(d)(4) be made in this section. |
| Response | The reviewers agree and made those changes. |
| Section 3.5.2(c), Governmental Programs | |
| Comment | One commentator thought that the use of "historically enacted" in this section seems to suggest that the actuary has to anticipate more legislative or administrative policy changes based on history and recommended that the section be deleted or clarified. |
| Response | The reviewers added language to clarify the intent that this section applies to patterns of changes consistent with section 3.5.2(b). |
| Section 3.5.3, Reviewing the Modeled Retiree Group Benefits Program | |
| Comment | One commentator felt that it was inappropriate for the responsibility to determine whether the deviation was temporary or permanent to be with the actuary. The commentator recommended that the standard should require the actuary to discuss the actuary's finding of deviation with the plan sponsor to seek guidance concerning the deviation. |
| Response | The reviewers note that nothing in the standard precludes the actuary from talking to the plan sponsor and gathering more information to make this determination and that guidance regarding administrative inconsistencies is provided in section 3.10. The reviewers, therefore, made no change. |

| Section 3.6, Modeling the Covered Population | |
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| Comment | One commentator felt that the “access only” situation should be mentioned in the standard and that guidance is needed on whether there is a responsibility to determine whether the participant is in fact paying for the entire value of the benefits received. |
| Response | The reviewers believe that there is sufficient guidance in the standard to cover an “access-only” situation and made no change. |
| Section 3.6.1, Census Data | |
| Comment | One commentator suggested that the language in this section be revised to be more consistent with the language in section 3.12.3(a) and other places in the standard. |
| Response | The reviewers agree and modified the language to be more consistent. |
| Section 3.6.4, Dependents and Surviving Dependents of Participants | |
| Comment | Several commentators suggested changes in the language in this section regarding “dependents.” |
| Response | The reviewers revised the language in this section to clarify the intent and make it more consistent with the use in other parts of the standard. |
| Comment | One commentator thought that the first sentence of the second paragraph was redundant because the first paragraph refers to spouses and surviving spouses. |
| Response | The reviewers note that the first paragraph provides general guidance on the treatment of all dependents, both spouses and dependent children while the first sentence of the second paragraph provides specific guidance on the treatment of spouses and the second sentence of that paragraph provides specific guidance on the treatment of dependent children. The reviewers, therefore, made no change. |
| Section 3.6.6, Use of Grouping | |
| Comment | One commentator suggested revising the disclosure requirement to “...should consider disclosing, if significant...” |
| Response | The reviewers believe it is important to disclose the specifics regarding the combining of health plans and grouping of populations so that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the combining and grouping. They also note that, as provided for in ASOP No. 1, <i>Introductory Actuarial Standard of Practice</i> , the standards do not apply to items that are immaterial. Therefore, no change was made. |
| Section 3.6.7, Hypothetical Data | |
| Comment | One commentator suggested that several examples could be added to this section. |
| Response | The reviewers believe that examples are not needed and made no change. |

| Section 3.7, Modeling Initial Per Capita Health Care Costs | |
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| Comment | One commentator thought there was the potential of confusion with the use of the word “cost” and suggested changing the phrase to “per capita health care rates.” |
| Response | The reviewers note that “per capita health care costs” is a well-understood term among actuaries in this area and that “costs” is used consistently throughout the standard and understood in that context. They further note that “periodic cost” is now a defined term in both ASOP Nos. 4 and 6, and usually refers to accounting expense. As a result, the reviewers made no change. |
| Section 3.7.1(a), Paid Claims | |
| Comment | One commentator suggested changing “should analyze” to “should consider analyzing” for several reasons including the fact that the data available may not be sufficient for analysis. |
| Response | The reviewers agree and made the change. |
| Section 3.7.4, Credibility | |
| Comment | One commentator noted that this section does not provide a threshold definition other than “fully credible” and expressed concern that references to ASOP No. 25, <i>Credibility Procedures</i> , may need to change depending on the final version of that standard. |
| Response | The reviewers note that “full credibility” is defined in ASOP No. 25, and made no change. |
| Section 3.7.6, Impact of Medicare and Other Offsets | |
| Comment | One commentator suggested replacing the phrase “health plan” by “retiree group benefits program” or “benefit plan.” |
| Response | The reviewers agree and replaced the phrase “health plan” by “benefit plan.” |
| Comment | One commentator noted that the guidance regarding other offsets doesn’t pertain to Medicare and might be better if located differently. |
| Response | The reviewers agree and included the guidance regarding other offsets in a separate paragraph at the end of the section. |
| Comment | One commentator suggested changing the phrase “should be aware” to “should consider” in the paragraph concerning changes in Medicare. In addition, the commentator noted that it was not the magnitude of the changes in Medicare programs but the impact that those changes had on the retiree group benefits program that was important for purposes of the standard. |
| Response | The reviewers agree and made changes to reflect these considerations. |
| Section 3.7.7, Age-Specific Costs | |
| Comment | One commentator suggested moving some of the guidance included in section 3.7.8, Pooled Health Plans (Including Community-Rated Plans), into this section as it applied in general and not just to those types of plans. |
| Response | The reviewers agree and combined sections 3.7.7 and 3.7.8 into one section. The general guidance that had been included in sections 3.7.7 and 3.7.8 is now in the new section 3.7.7(a). |

| Section 3.7.8, Pooled Health Plans (including Community Rated Plans) | |
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| Comment | Several commentators suggested that individual circumstances needed to be taken into account in determining whether the pooled health plan’s premium would be appropriate for use without adjustment for age. |
| Response | The reviewers agree that it would be appropriate to provide more guidance regarding the limited circumstances for using unadjusted premium rates. As noted earlier, sections 3.7.7 and 3.7.8 were combined into one section. The new section 3.7.7(c) clarifies the guidance regarding the limited circumstances for using unadjusted premium rates. |
| Comment | Several commentators suggested that in cases where the cost of coverage is borne by a large independent community, the use of an unadjusted premium should be allowed if the aging or demographic distribution of the individual employer’s population would not affect the program’s premiums, such as for many small public sector plans. |
| Response | The reviewers believe that implicit subsidies do exist within pooled health plans and that such subsidies should be recognized in valuations of retiree group benefits by incorporating age-specific costs in the measurement, except in some very limited cases. Thus the reviewers believe that the use of age-specific costs will generally result in a more appropriate representation of the employer’s long term liabilities for retirees than the use of unadjusted premiums. They point out that there is no guarantee that the current premium structure or the pooled health plan will continue over the long term nor that the employer will continue or be allowed to continue in the pool and that the value of employer’s benefit commitment independent of the method used to provide that benefit is the most appropriate basis for valuing the liability, except in some very limited cases. Accordingly, the reviewers added more guidance throughout section 3.7.7, which now also includes the guidance contained in section 3.7.8 of the second exposure draft. |
| Comment | Several commentators were concerned that by using age-specific costs for groups participating in a pooled health plan: <ul style="list-style-type: none"> • accounting liabilities could be too large considering the cash flows; and • the liability might not be defeased by contributions/expenses when all assumptions were met. |
| Response | The reviewers agree that year-to-year differences between cash flows/contributions based on premium and age-specific costs may occur, but believe that it is appropriate to measure the employer’s long term benefit obligation based on a projection of age-specific costs. As noted previously, the reviewers clarified the guidance, including a description of factors that the actuary should consider in determining whether the use of the premium may be appropriate without regard to adjustments for age. |
| Comment | Several commentators agreed with the use of age-specific costs, but suggested that the standard should state explicitly that an adjustment be made to recognize in the liability calculation the age-specific subsidies (both positive and negative) from other employers, and that if this were not done the liability would be either too large or too small depending on the average age of the group relative to that of the pool. |
| Response | The reviewers note that all employers participating in a pooled health plan share in the collective risks and costs (some positive and some negative). As such, the reviewers believe developing a set of age-specific costs based on the total pooled health plan to measure retiree health benefits for any and all participating employers is appropriate, except in very limited circumstances as set forth in the standard. In other words, absent evidence to the contrary, the reviewers do not believe that non-guaranteed subsidies should be assumed to persist indefinitely. The reviewers, therefore, made no change. |

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| Comment | Several commentators suggested that information would not be available to make an accurate determination of a pooled health plan’s age-specific costs. |
| Response | The reviewers believe that either sufficient information will be available or reasonable assumptions and approximations can be developed for the actuary to make a reasonable determination of the pooled health plan’s age-specific costs. The reviewers, therefore, made no change. |
| Comment | One commentator suggested several clarifications in the guidance regarding what the actuary should do if a distribution table for the pooled health plan is not available. |
| Response | The reviewers agree that the intent of the guidance was not clear and revised this language to clarify that the actuary may either make a reasonable assumption regarding the distribution or base the age-specific costs on manual rates or other sources. |
| Comment | One commentator suggested the standard be more explicit in encouraging the use of the individual group’s own demographic distribution in developing the age-specific costs for those groups taking part in a pooled health plan. |
| Response | The reviewers note that pooled plans develop premiums in a wide variety of ways. The reviewers recognize that some pooled health plans charge participating groups premiums that are explicitly based in part on the composition of the given employer (whether influenced by claims or age distribution or another factor). The guidance provides that, to the extent appropriate, the composition of the group being valued should be taken into account when developing and applying age-specific costs. The reviewers, therefore, made no change. |
| Comment | One commentator suggested that several areas of guidance included in section 3.7.8 are more general in nature than indicated by the title of that section and might be more appropriate in section 3.7.7. |
| Response | The reviewers agree and, as noted earlier, combined sections 3.7.7 and 3.7.8, expanded the guidance in section 3.7.7(a) to cover certain points raised by the commentator, and removed the corresponding guidance from section 3.7.7(b). |
| Comment | One commentator suggested that, in the second paragraph of section 3.7.8, the term “premium equivalent” be replaced with “premium” and questioned why there was no reference to self-insured plans in that context. |
| Response | The reviewers agree and replaced the phrase “premium equivalent” with “premiums.” The reviewers note that the phrase “claims costs” covers the situation of a self-insured plan and, therefore, no reference is needed. |
| Comment | One commentator suggested that, in the third paragraph of section 3.7.8, the phrase “distribution table for” be replaced with “age distribution of.” |
| Response | The reviewers made no changes to the references to distribution tables because they believe the actuary should have the option of using distribution tables by both age and gender. |
| Comment | One commentator felt that the example in section 3.7.8 regarding Medicare Advantage Plans was confusing. The commentator noted that although for a Medicare Advantage plan itself the use of the premium without regard to adjustments for age could be appropriate, for a Medicare Advantage-Prescription Drug (“MA-PD”) program the prescription drug portion of the benefits should be adjusted for age. |
| Response | The reviewers agree the example could be confusing and deleted it. |

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| Comment | One commentator suggested that comments regarding this section made after the first exposure draft were not carefully reviewed. |
| Response | The Retiree Group Benefits Subcommittee, the Pension Committee, and the ASB carefully considered the comments made after the first exposure draft and took the comments into consideration when preparing the second exposure draft. |
| Comment | One commentator suggested that the reviewers' rationale for decisions regarding section 3.7.8 comments be more fully explained. |
| Response | Responses to commentators' exposure draft comments are meant to be brief in nature but to capture the essence of the issue and the decisions made. The reviewers have included more detailed responses in this section of the appendix to provide more context for the guidance in the final ASOP. |
| Comment | One commentator suggested that the guidance was not in any way reflective of the environment in which actuaries work. |
| Response | The members of the subcommittee regularly practice in, and drafted the guidance to reflect, all areas of retiree group benefits, including: public sector plans; private sector plans; funded and unfunded plans; small and large plans; and small employers and large employers. The guidance reflects the fact that there can be a number of different purposes of the measurement, including, but not limited to, funding and accounting requirements. |
| Section 3.7.10(b), Enrollment Practices | |
| Comment | One commentator suggested that instead of the general word "effect" in the phrase "effect... have had on health care practices," the standard should specify what types of effects the actuary should consider, such as adverse selection. |
| Response | The reviewers believe that the items that the actuary should consider should not be limited to adverse selection, as there could be other effects depending on the circumstances of the retiree group benefits program, and made no change. |
| Section 3.7.12, Adjustment for Trend | |
| Comment | One commentator recommended that the language regarding the basis for the adjustments for trend should require the actuary to take into account experience from outside the health plan. |
| Response | The reviewers note that in some situations it may be appropriate to consider only the experience of the health plan and made no change. |
| Section 3.7.15, Administrative Expenses | |
| Comment | One commentator noted that there are other expenses such as PPO access fees and stop-loss premiums and suggested that this section should also make reference to other non-administrative expenses. |
| Response | The reviewers agree, and made changes to the section heading and throughout the section. |

| Section 3.11, Other Information from the Principal | |
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| Comment | One commentator questioned the inclusion of this section and indicated that “accounting election” is unclear. |
| Response | The reviewers believe the guidance in this section has relevance to several other sections and therefore included it in its own section. The reviewers made edits to clarify the language. |
| Section 3.12.1, Economic Assumptions | |
| Comment | One commentator noted that part of the reference to an accounting standard was missing. |
| Response | The reviewers agree and corrected the reference. |
| Section 3.12.1(a), Health Care Cost Trend Rate | |
| Comment | One commentator recommended that the paragraph be revised to account for the common usage of the SOA-Getzen model. |
| Response | The reviewers believe that the guidance is consistent with the use of the SOA-Getzen model but believe that the standard should not mandate a specific model and, therefore, did not include a reference to it in the guidance. |
| Comment | One commentator suggested revising the guidance regarding the select period, noting that there may be times when health care cost trend rates could reasonably be expected to increase for a short period of time before declining. |
| Response | The reviewers agree and revised the language to make it clearer that the trend rates could increase during the select period. |
| Comment | One commentator suggested moving the sentence regarding the development of an initial trend assumption from the third paragraph to the beginning of the second paragraph so that it would be before the guidance on selecting the long-term trend assumption. |
| Response | The reviewers agree and made the proposed change. |
| Comment | One commentator suggested deleting the words “cost” and “rate” in this section. |
| Response | The reviewers believe that including those words provide clarity and left them in the standard. The reviewers did change the word “rate” to “rates” to reflect the fact that there generally is not one trend rate. |
| Comment | One commentator suggested changing “the appropriate length of a select period” to “an appropriate length...” to avoid implying that there is one and only one length that the actuary could use. |
| Response | The reviewers agree and revised the section. |
| Comment | One commentator felt that “relevant long-term economic factors” may not clarify whether the projections are those of the actuary, of those who are responsible for the retiree group benefit program, or of other sources such as national agencies and suggested that additional guidance be provided. |
| Response | The reviewers believe the guidance provided is sufficiently clear and made no change. |

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| Comment | One commentator felt that the sentence, “The actuary should select a transition pattern and select period that reasonably reflects anticipated experience,” was redundant and should be deleted. The commentator also felt that asking an actuary to choose a select period that reasonably reflects anticipated experience goes beyond what should be expected from a trend assumption that may exceed 50 years. |
| Response | The reviewers disagree and made no change, believing that the sentence is not redundant and it is reasonable to require the actuary to consider what is likely to happen to trend over the long term. |
| Comment | One commentator suggested moving the entire economic section of ASOP No. 6 to ASOP No. 27, <i>Selection of Economic Assumptions for Measuring Pension Obligations</i> . |
| Response | The reviewers feel that including this guidance in the standard is useful and more convenient to the actuary working in this practice area as the economic assumptions applied can have consequences for the demographic assumptions used (for example, enrollment assumption) and made no changes. |
| Comment | One commentator suggested that the sentence regarding annual or lifetime maximums might be more appropriate in the section dealing with the modeling of plan provisions and suggested moving to section 3.5.1(c). |
| Response | The reviewers agree that guidance regarding annual or lifetime maximums would be more appropriate in section 3.5.1(c) and expanded the guidance in that section to cover annual and lifetime maximums. |
| Section 3.12.1(b), Other Cost Change Rates | |
| Comment | One commentator noted that section 2.9 references “long-term care” but not “long-term care insurance” and suggested deleting the word “insurance.” |
| Response | The reviewers note that these are examples of types of benefits that may be affected by other economic factors and made no change. |
| Section 3.12.1(c), Participant Contribution Changes | |
| Comment | One commentator felt that this language may be construed as applying only to situations in which a cap on benefits has not yet been placed and suggested adding: “In cases in which a plan has a cap on benefits already in place, the actuary should consider modeling participant contributions based on the provisions of the Retiree Group Benefits Program and on communications to participants which describe application of the cap.” |
| Response | The reviewers believe that the situation described by the commentator is covered by the first sentence of this section and made no change. |
| Section 3.12.1(d), Adverse Selection | |
| Comment | One commentator noted that “adverse selection” is not a “process” and that the word can be deleted, particularly since adverse selection is a defined term. |
| Response | The reviewers agree and made the change. |
| Section 3.12.2(d), Mortality | |
| Comment | One commentator made suggestions on revising the language in this section to discuss the interaction with trend rates. |
| Response | The reviewers believe that the language is sufficiently clear and made no change to reference the effect of trend rates. They did clarify the language to reference death benefits in addition to health care costs. |

| Section 3.12.3(b), Dependent Coverage | |
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| Comment | One commentator suggested adding the word “materially” in connection with the guidance concerning the gender mix of participants. |
| Response | The reviewers note that ASOP No. 1 states that the guidance in ASOPs need not be applied to immaterial items and made no change. |
| Section 3.12.4, Effect of Retiree Group Benefits Program Design Changes on Assumptions | |
| Comment | One commentator suggested several changes to and a reordering of the language in the second paragraph of this section. |
| Response | The reviewers believe that the language is sufficiently clear as written and made no change. |
| Sections 3.14, Measuring the Value of Accrued or Vested Benefits | |
| Comment | One commentator suggested deleting this section as this type of calculation is not common for these types of valuations. |
| Response | The reviewers agree that the measurement of accrued or vested benefits is less common for these valuations than for pensions but note that the guidance is useful for those situations in which such a calculation is required and did not delete the section. |
| Comment | One commentator suggested that more guidance be provided and proposed several text edits, including moving 3.14(e), “whether or the extent to which any retiree group benefits are accrued or vested” to the introductory paragraph of 3.14. |
| Response | The reviewers believe that the level of guidance is appropriate and did not add more guidance. The reviewers did reorder the list of items that the actuary should consider. The reviewers added language to the section that indicates that in many situations these benefits are neither vested nor accrued. The reviewers did not make any other of the proposed changes. |
| Comment | Several commentators suggested deleting references in the section to “accrued or vested” as many retiree group benefit programs do not define these terms. One commentator suggested adding a paragraph describing how “the meaning of accrued or vested as defined by plan sponsors and their legal counsel” might “differ from the meanings used by the actuarial community.” |
| Response | The reviewers note that the guidance in this situation applies only where the scope of the assignment requires an actuary to do this type of calculation and that many factors might determine whether benefits are considered accrued or vested, including the purpose of the measurement. They believe that the language provides the appropriate balance between guidance and flexibility for the actuary to deal with specific situations and, therefore, made no change. |
| Comment | One commentator suggested adding “employment contracts” after the reference to plan provisions. |
| Response | The reviewers note that the guidance in section 3.5 discusses the identification of the relevant plan provisions and feel that the language in that section is broad enough to include employment contracts. Therefore, the reviewers made no change. |
| Section 3.14(g), Measuring the Value of Accrued or Vested Benefits | |
| Comment | One commentator suggested adding “changes in retiree group benefits eligibility” to the list in this section. |
| Response | The reviewers note that the list in this section gives examples of factors for the actuary to consider and is not intended to be exhaustive, and made no change. |

| Section 3.15, Market-Consistent Present Values | |
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| Comment | One commentator suggested that the phrase “benefits earned” be changed to something else as “benefits earned” is not defined. |
| Response | The reviewers note that depending on the purpose of the measurement the definition of “benefits earned” could vary, and made no change. |
| Section 3.17, Actuarial Cost Method | |
| Comment | In response to the question asked in the transmittal letter to the second exposure draft, several commentators indicated that the description of an actuarial cost method in the second exposure draft of ASOP No. 4 was preferable to that included in the second exposure draft of ASOP No. 6, while one commentator preferred the version in the second exposure draft of ASOP No. 6. |
| Response | The reviewers concluded that ASOP Nos. 4 and 6 should use the same definition of a reasonable actuarial cost method and revised the guidance to be consistent with that included in the revised version of ASOP No. 4. |
| Section 3.18, Allocation Procedure | |
| Comment | One commentator expressed the opinion that the requirement to consider relevant input received from the principal was inconsistent with the paragraph in section 1.2 indicating that the standard “does not require the actuary to evaluate the ability of the plan sponsor to make prefunding contributions to the plan when due.” |
| Response | The reviewers disagree and made no change. |
| Comment | One commentator suggested that the term “principal” be replaced by “plan sponsor.” |
| Response | The reviewers note that “principal” is defined in ASOP No. 1 and is more appropriate in this context than “plan sponsor.” Therefore, no change was made. |
| Comment | One commentator said that section 3.18.1 and 3.18.2 appear to presuppose that the objective of prefunding contributions is to accumulate assets sufficient to pay future benefits. The commentator noted that that may not be the plan sponsor’s objective and expressed the opinion that it would not be necessary for the actuary to perform the analysis described. The commentator suggested alternative language to the section and the disclosure requirements. |
| Response | The reviewers believe that the analysis required of a contribution allocation procedure and the related disclosure requirements concerning the funding of the retiree group benefits program are appropriate and made no change. |
| Sections 3.20, Volatility | |
| Comment | One commentator suggested adding a reference to the initial per capita health care costs as a source of possible volatility, noting that there can be significant changes from one year to the next. |
| Response | The reviewers agree and expanded the example of changes in assumptions to include initial per capita health care costs. |
| Comment | One commentator suggested adding a disclosure of the rationale for the range selected in assumptions for the purpose of analyzing the potential volatility of the results. |
| Purpose | The reviewers believe that the disclosure requirements are sufficient and made no change. |

| Sections 3.21, Reasonableness of Results | |
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| Comment | One commentator noted that a similar section is not included in ASOP No. 4 and questioned its inclusion in ASOP No. 6. |
| Response | In light of the varied and complex assumptions unique to retiree group benefit valuations, the reviewers believe that requiring this analysis for reasonableness is appropriate and made no change. |
| Comment | One commentator suggested that the actuary should document the likely causes of the differences identified in this analysis. |
| Response | The reviewers revised the language in this section, including adding that the actuary “should consider documenting, if appropriate, the likely causes of such differences.” |
| Section 3.22.3, Inability to Evaluate Prescribed Assumption or Method | |
| Comment | One commentator asked if this section would allow an actuary to avoid calculating age-adjusted claims costs for a pooled plan because to do such analysis would require “performing a substantial amount of additional work beyond the scope of the assignment?” |
| Response | The reviewers do not believe that age-adjusted claims costs for pooled plans are prescribed assumptions or methods set by another party and, therefore, made no change |
| Sections 3.23, Reliance on a Collaborating Actuary | |
| Comment | One commentator asked if all signing actuaries are responsible for the entire report, including areas in which the actuary may have limited expertise or if the intended meaning is that one principal signing actuary is responsible for the entire report and, if the latter, if language can be added to that effect. |
| Response | The reviewers note that this section is consistent with section 2.4, Statements of Actuarial Opinion Issued by More than One Actuary, of the “Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States” and made no change. |
| Comment | One commentator suggested deleting the word “analysis” in the phrase “overall appropriateness of the analysis, assumptions, and results” because some of that analysis may never be communicated in the statement of actuarial opinion. |
| Response | The reviewers believe that even though the analysis may not be communicated in the statement of actuarial opinion, the actuary is still responsible for it and, therefore, made no change. |

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| Section 3.24, Use of Roll-Forward Techniques | |
| Comment | One commentator expressed the opinion that roll-forward valuations should not be encouraged in actuarial standards and that the requirements regarding the use of these techniques should be revised. |
| Response | The reviewers believe that the guidance included in this section is appropriate for measurements regarding retiree group benefits programs. They note that the guidance provides that “the actuary should not use roll-forward techniques unless, in the actuary’s professional judgment at the time of the roll-forward calculation, the resulting measurement is not expected to differ significantly from the results of a new full measurement.” The reviewers made no change. |
| SECTION 4. COMMUNICATIONS AND DISCLOSURES | |
| Section 4.1(g), Communication Requirements | |
| Comment | One commentator suggested that a requirement be added that the actuary comment about the source of any hypothetical data and whether the use of such data is expected to have a significant impact. The commentator discussed the differences between, for example, assuming dates of hire for a small percentage of the population versus assuming the demographics of the population making up a pooled plan. |
| Response | The reviewers believe that the issue of missing dates of hire is adequately covered by the existing section 4.1(g) and that section 4.1(i) requires disclosure of the information and analysis used in developing the age-related costs for a pooled plan. The reviewers, therefore, made no change. |
| Section 4.1(i), Communication Requirements | |
| Comment | One commentator suggested changes in the text in this disclosure requirement regarding the information and analysis used in selecting each significant assumption that was not prescribed. |
| Response | The reviewers note that the language in this section parallels the language in the similar disclosure requirement in ASOP No. 27. The reviewers modified the language to clarify that when age-specific costs are not used, a description of the reasons why they are not used is a part of this disclosure. |
| Section 4.1(k), Communication Requirements | |
| Comment | One commentator suggested adding references to adverse selection and plan selection/migration to the list of other significant assumptions. |
| Response | The reviewers note that the parenthetical list is not intended to be exhaustive and made no change. |
| Section 4.1(s), Communication Requirements | |
| Comment | One commentator asked whether this disclosure requirement applied to a calculation of the maximum deductible contribution to a voluntary employees’ beneficiary association using the aggregate cost method. |
| Response | The reviewers note that this disclosure requirement does not apply to intermediate steps of a calculation but added language to clarify that it does not apply if the purpose of the calculation was contribution determination in accordance with federal law or regulation. |
| Comment | Several commentators expressed concern about the added disclosure requirements regarding “fully funded” and “funded status.” |
| Response | The reviewers agree with concerns regarding “fully funded” and removed the proposed disclosures regarding such statements. However, the reviewers retained and modified the language of this section regarding measurements of funded status. The modified language makes it clearer that the standard does not require the disclosure of “funded status,” only what is required if an actuary does |

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| | disclose a plan's "funded status." |
| APPENDIX 1 | |
| Comment | Several commentators suggested changes in the text. |
| Response | The reviewers made some changes to the text, taking into account the comments received, the changes in the defined terms used in the standard, and updated cost levels. |