

Title of Exposure Draft: *Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefits Obligations and Determining Retiree Group Benefits Program Periodic Costs or Actuarially Determined Contributions*

Comment Deadline: *May 15, 2026*

Instructions: Please review the exposure draft and give the ASB the benefit of your recommendations by completing this comment template. Please fill out the tables within the section below, adding rows as necessary. Sample for completing the template provided at the following link: https://www.actuarialstandardsboard.org/wp-content/uploads/2026/03/ASB-Comment-Template_updated-Jan-2026.pdf

Each completed comment template received by the comment deadline will receive consideration by the drafting committee and the ASB. The ASB accepts comments by email. Please send to comments@actuary.org and include the phrase 'ASB COMMENTS' in the subject line. Please note: Any email not containing this exact phrase in the subject line will be deleted by our system's spam filter.

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Comments received after the deadline may not be considered. Anonymous comments will not be considered by the ASB nor posted to the website. Comments will be posted in the order that they are received. The ASB disclaims any responsibility for the content of the comments, which are solely the responsibility of those who submit them.

Restating comments verbatim or with slight variations may slow down the ASB review process. If you wish to reinforce any comments provided in another commentator's submission, please clearly state how your comments agree or differ.

I. Identification:

Name of Commentator / Company
Eric A. Keener, FSA, EA, MAAA, Senior Partner and Chief Actuary, U.S. Retirement Paul L. Koch, FSA, MAAA, Senior Vice President and Retiree Healthcare Actuarial Leader Comments submitted on behalf of Aon Consulting, Inc.

II. ASB Questions (If Any). Responses to any transmittal memorandum questions should be entered below.

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>In general, we agree that the guidance on age-specific costs is clear and appropriate. However, as discussed further below in our comments on section 3.7.7, we believe greater clarity is needed in providing examples of plans for which age grading may not be appropriate.</p>

Question No.	Commentator Response
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 believe it is important for there to be consistency between the requirements for pension valuations covered by ASOP Nos. 4 and 51 and the requirements for retiree group benefits valuations covered by ASOP No. 6. While ASOP No. 51 requires the actuary to perform a risk assessment for a pension funding valuation, no such risk assessment is required for pension valuations performed for other purposes, such as corporate or plan accounting. As a result, we believe it is appropriate to require a risk assessment for a funding valuation for a retiree group benefits program, but we do not believe such an assessment should be required for all valuations. Many retiree group benefit programs are unfunded, and in many cases the sponsors of such programs retain the ability to change or even eliminate the program entirely; we believe a risk assessment would be of only limited value to the principal/plan sponsor in such situations, and that it would therefore not be appropriate to require the actuary to perform such work for the principal/plan sponsor. We believe the guidance in sections 3.28 and 3.29 should be revised to only require a risk assessment for a funding valuation for a retiree group benefits program. As discussed further below, we also believe the definition of “Funding Valuation” in section 2.19 should be clarified to exclude certain calculations which a plan sponsor may use in determining the amount, or range, of potential contributions, but which are not intended to calculate an Actuarially Determined Contribution.</p>
3	<p>Is section 3.2, General Procedures, helpful?</p> <p>In general, we believe section 3.2 is helpful in providing the actuary with guidance on key steps and considerations in performing a valuation for a retiree group benefits program.</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)
2.6	Actuarially Determined Contribution— A potential payment, other than by a retired participant , to prefund <u>all or a portion of</u> the retiree group benefits program , as determined by the actuary using a contribution	A plan sponsor may decide to prefund only a portion of a retiree group benefits program and not the entire plan (e.g., a plan may cover union and non-union participants, with only union benefits being pre-funded). The term

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	<p>allocation procedure. It may or may not be the amount actually paid by the plan sponsor or other contributing entity. For purposes of this standard, premiums and budget rates are not actuarially determined contributions, <u>nor are calculations of other amounts to which the plan sponsor may incidentally refer in determining a contribution but which are not primarily intended for the purpose of prefunding the program (e.g., the 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, net periodic postretirement benefit cost under Accounting Standards Codification Topic 715-60, or the discount rate crossover calculation or other accounting requirements under standards published by the Governmental Accounting Standards Board).</u></p>	<p>"Actuarially Determined Contribution" should refer only to the contribution determined for the prefunded portion of the plan. Further, in determining the amount of a contribution, a plan sponsor may refer to certain other calculations that are not primarily intended to pre-fund the plan. For example, a plan sponsor may not be legally required to pre-fund a group benefits program but voluntarily decide to do so through a voluntary employees' beneficiary association trust. A calculation of the maximum tax-deductible contribution to such a trust may be referred to by the plan sponsor in determining the amount to contribute but is not intended as an Actuarially Determined Contribution.</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>Calculations of other amounts to which the plan sponsor may incidentally refer in determining a contribution but which are not primarily intended for the purpose of prefunding the program (e.g., the 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, net periodic postretirement</u></p>	<p>As noted in our comments on section 2.6 above, a plan sponsor may decide to prefund only a portion of the plan. The term "Funding Valuation" should refer only to the portion of the plan that is intended to be prefunded and for which an Actuarially Determined Contribution is calculated. Further, in determining the amount of a contribution, a plan sponsor may refer to certain other calculations that are not intended as a Funding Valuation. For example, a plan sponsor may not be legally required to pre-fund a group benefits program but voluntarily decide to do so through a voluntary employees' beneficiary association trust. A calculation of the maximum tax-deductible contribution to such a trust may be referred to by the plan sponsor in determining the amount to</p>

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	<p><u>benefit cost under Accounting Standards Codification Topic 715-60, or the discount rate crossover calculation or other accounting requirements under standards published by the Governmental Accounting Standards Board) are not funding valuations.</u></p>	<p>contribute but is not intended to be a Funding Valuation.</p>
3.4.3	<p>Adjustment of Prior Measurements (Roll-Forwards)—The actuary may adjust the results from a prior 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>such as</u>:</p> <ul style="list-style-type: none"> a. the number of participants or the demographic characteristics of that group; b. claims costs; c. economic and demographic expectations; d. cash flows and investment performance; e. retiree group benefits program design; f. <u>legislative changes</u>; and g. <u>changes in medical trend, or other key model components</u>, that could have a significant impact on the measurement. 	<p>We believe the proposed language in section 3.4.3 should be clarified, as the list of items, for which significant changes should be reflected, is not all-inclusive. In addition, we believe that both legislative changes and changes in medical trend should be explicitly added to the list of potential sources of change; these items are likely to occur and may have a significant impact on roll-forward measurements.</p>
3.7.1	<p>Claims Data—The actuary should request claims data, if credible, <u>including for regardless of whether the underlying plan is insured Medicare Advantage plans or not.</u></p>	<p>As discussed below in our response to section 3.7.5, we recommend deemphasizing the use of actual claims data for fully-insured plans other than Medicare Advantage plans.</p>
3.7.5	<p>Use of Premiums or Other Methods—<u>For fully-insured retiree health plans other than Medicare Advantage plans, Part D EGWP plans, plans that apply for the RDS, or plans for which</u> When <u>claims, revenue, and exposure</u></p>	<p>For fully insured medical plans, we recommend distinguishing between Medicare Advantage plans and other fully insured plans. For Medicare Advantage plans, we recognize the importance of understanding the</p>

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	<p>experience are requested but not available for an insured plan or the claims experience is not credible, the actuary may use other methods (such as those that use loss ratio-adjusted premiums or normative databases) as the basis for initial per capita costs, with appropriate analysis and adjustment for the premium basis.</p>	<p>underlying claims and revenue, both from recent experience and from what is assumed in developing current and future guaranteed premiums. The actuary will need to reflect many considerations in how these components may be trended, as discussed in the American Academy of Actuaries Practice Note “Medicare Advantage Plan Cost Projections for Retiree Group Health Benefit Valuations,” released in December 2025. For other fully insured medical plans, we believe the insurer’s pricing actuary will have greater insight into the plan and population, while the valuation actuary may have limited transparency into the covered population’s health and the insurer’s underwriting and rating practices. In addition, plans that coordinate with Medicare may often have incomplete claims data because services paid in whole or in part by Medicare may not be fully reflected. We encourage the ASB to clarify that actuaries are not expected to obtain or reconstruct detailed fully insured claims data for non-Medicare Advantage medical plans where the insurer’s rating practices and coordination with Medicare limit the completeness or credibility of such data, and that using recent premiums—subject to suitable adjustments and professional judgment—is an acceptable and robust approach.</p> <p>Similarly, for prescription drug plans such as Employer Group Waiver Plans (EGWPs) or plans that apply for the Retiree Drug Subsidy (RDS), the valuation actuary should utilize pharmacy claims, rebates and Medicare revenue specific to the offering, even if fully insured, if the plans are rated primarily or solely on the employer’s experience. We</p>

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		recommend other fully insured prescription drug plans be exempt from this data collection for reasons similar to those mentioned above for fully insured medical plans.
3.7.7. b.2.	2. costs do not vary significantly by age for the type of benefit plan being valued (for example, Medicare Advantage plans, or medical plans with a sufficiently low annual benefit limit, <u>or dental and vision plans</u>).	As noted above, we think it would be helpful to include more examples of situations where aging would not be appropriate. However, we do not believe Medicare Advantage plans should be included in the second example under section 3.7.7(b). In many cases, we believe it is appropriate to age Medicare Advantage premiums. Plans receive age- and risk-adjusted revenue for providing required Medicare benefits, which can often result in low or \$0 premium plans. This revenue or bonus payments and rebates may even fund additional benefits above the base Medicare benefit. However, Medicare Advantage plans with significant premiums typically include additional benefits above the base Medicare benefit package that are not covered by the revenue received by the plan. We believe it is appropriate to assume that the cost of the additional benefits giving rise to the premiums will increase with the age of the covered population and therefore should be subject to aging.
3.29	Assessment of Risks Identified— <u>When performing a funding valuation, the</u> The actuary should assess risks identified by the actuary in accordance with section 3.28, including the potential effects of the identified risks on the plan's future financial condition.	As noted above, we believe it is important for there to be consistency between the requirements for pension valuations and the requirements for retiree group benefits valuations. ASOP No. 51 requires that a risk assessment be performed for a pension funding valuation, but not valuations performed for other purposes. With regard to retiree group benefit programs in particular, many such programs are unfunded, and in many cases the sponsors of such programs retain the ability to change or even eliminate the program

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		entirely; we believe a risk assessment would be of only limited value to the principal/plan sponsor in such situations, and that it would therefore not be appropriate to require the actuary to perform such work for the principal/plan sponsor. As discussed further below, we also do not believe that the concept of a low-default-risk obligation measure (LDROM) would provide useful information regarding a retiree group benefits valuation.
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</p>	We do not believe that the concept of an LDROM is a useful measure of risks for most retiree group benefits programs. For many pension plans, plan assets can be invested in high-quality corporate bonds or other assets to effectively eliminate any mismatch between assets and liabilities; as a result, an LDROM can provide a measure of the risk the plan sponsor would take by choosing to invest in a different manner. In many cases, the LDROM may also provide a reasonable estimate of the cost of effectively settling the pension liability by purchasing an annuity contract from an insurance company. These same considerations do not hold for retiree group benefits programs. It is generally not possible to eliminate the potential mismatch between assets and liabilities in a retiree group benefits program due to the inherent uncertainty of the plan's cash flows resulting from medical trend or other factors (including the plan sponsor's ability to change or even eliminate the program entirely). Further, it is generally not possible to purchase an annuity from an insurance company to settle such obligations. We believe sensitivity testing or other aspects of a risk assessment performed for a funding valuation would better capture potential risks and provide more

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	<p>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 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>useful information to the principal/plan sponsor.</p>

IV. General Recommendations (If Any):

Commentator Recommendation (Identify relevant sections when possible)	Commentator Rationale (Support for the recommendation)
N/A	N/A

V. Signature:

Commentator Signature	Date
Eric A. Keener Paul L. Koch	May 15, 2026