APR 2013

Actuarial UPDATE
THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

EA Meeting Blossoms in D.C.

Actuaries Face Professional Challenges With Innovation

THE 923 ATTENDEES who came to D.C. for the 38th annual Enrolled Actuaries Meeting could not have timed their visit to the nation's capital more perfectly. All calculations and projections for maximum blossoms along the Tidal Basin added up for the April 7-10 meeting. However, the lure of the Tidal Basin didn't dampen interest in meeting sessions that covered a wealth of subjects, including the Moving Ahead for Progress in the 21st Century Act (MAP-21), Pension Benefit Guaranty Corp. (PBGC) updates, public plan funding, multiemployer plans, technical questions related to plan design and funding, ways to de-risk investment strategies, and professional ethics.

For the opening session, politics took center stage away from the blossoms. James Holland Jr., a former chief actuary at the Internal Revenue Service and currently chief research actuary at Cheiron Inc.; Earl Pomeroy, a former congressman and state insurance commissioner and currently senior counsel at Alston and Bird LLP; Donald Fuerst, the Academy's senior pension fellow; and Judy Miller, director of retirement policy at the American Society of Pension Professionals and Actuaries (ASPPA),

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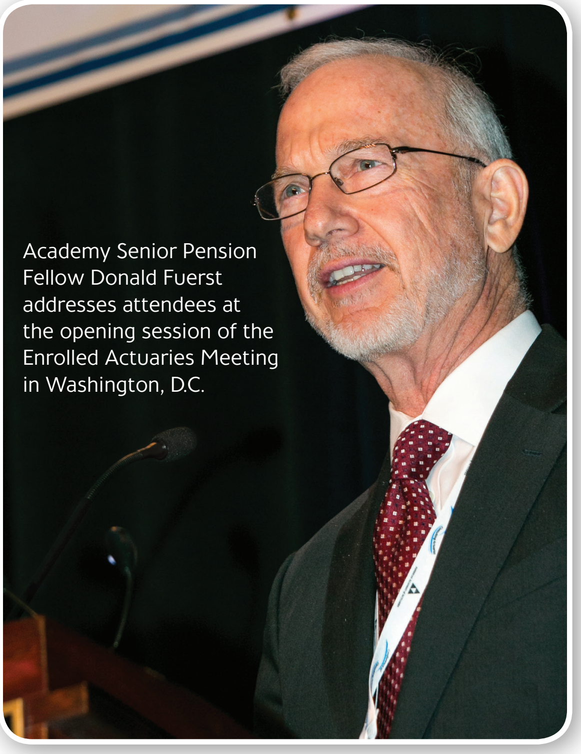


Academy Senior Pension Fellow Donald Fuerst addresses attendees at the opening session of the Enrolled Actuaries Meeting in Washington, D.C.

Health Practice Council Heads to the Hill

ON APRIL 15, an overcast spring day with hints of D.C. summer, 23 Academy volunteers from the Health Practice Council and accompanying staff members began their annual trek to congressional and agency offices. They offered their expertise on pressing policy issues such as Affordable Care Act (ACA) implementation, health care spending, Medicaid costs and eligibility, and Medicare solvency and sustainability. In a whirlwind two days of meetings, the teams met with new and longstanding contacts at 39 congressional and agency offices. Volunteers and Academy staff members also hosted two briefings for Senate staff on April 16.

"There is a lot of appreciation for us as a resource and for what we can provide in terms of education materials and analysis," said Shari Westerfield, a regular director of the Academy's Board of Directors and a member of the Health Practice Council.

Al Bingham, co-chairperson of the Health Care Costs Work Group, echoed this sentiment: "Every year we hear the same thing from those we meet—they appreciate having an objective body that they can turn to and work through the spin to the specifics."

Given the many pending public policy issues that benefit from an actuarial perspective, volunteers generally found their contacts were well-versed on Academy testimony, issue briefs, and other public statements. Those who spoke with Academy volunteers had very specific questions surrounding ACA implementation, and volunteers who met with agency representatives delved deeply into these issues.

David Shea, vice president of the Health Practice Council, detailed some extremely positive and in-depth discussions with the Center for Consumer Information and Insurance Oversight (CCIIO) on updates to the

SEE **HILL VISITS**, PAGE 9

MAY

8 CUSP meeting, Washington

8–9 Academy Board of Directors meeting, Washington

19–22 CAS spring meeting, Vancouver, British Columbia

31–June 1 NAAC meeting, New Orleans

JUNE

4 Webinar: Regulatory Issues for Small Insurance Companies

9–12 SOA health meeting, Baltimore

JULY

11–14 NCOIL summer meeting, Philadelphia

15 Academy summer summit, Washington

AUGUST

14 Academy Executive Committee meeting, Washington

24–27 NAIC summer national meeting, Indianapolis

SEPTEMBER

16-17 Casualty Loss Reserve Seminar, Boston

OCTOBER

1 CUSP meeting, Washington

1–2 Academy Board of Directors meeting and board orientation, Washington

20–23 CCA Annual Meeting, San Antonio

20–23 SOA Annual Meeting

NOVEMBER

3–6 CAS Annual Meeting, Minneapolis

4 Academy Annual Meeting and Awards Luncheon, Minneapolis

11–14 2013 Life and Health Qualifications Seminar, Arlington, Va.

15–16 NAAC Meeting (AAA), South Beach, Fla.

21–24 NCOIL Annual Meeting, Nashville, Tenn.

To continue receiving the *Update* and other Academy publications on time, remember to make sure the Academy has your correct contact information. Academy members can update their member profile at the member log-in page on the Academy website.

Academy NEWS Briefs

Academy Responds to Mischaracterization of Actuarial Role

WITH THE PENSION SYMPOSIUM IN FULL SWING IN D.C., an op-ed in the April 10 issue of the *Wall Street Journal* appeared: "The Pension Rate-of-Return Fantasy." The lack of understanding of what actuaries do, especially in terms of pensions, prompted Academy President Cecil Bykerk to write a letter clarifying how actuaries determine funding targets. Writer Andy Kessler characterized this work as "Actuaries guess, er, compute how much money is needed today based on life expectancies of retirees as well as the expected investment return on the pension portfolio."

Bykerk responded in several ways to the story. First, he took on the characterization of an actuary's work as a "guess" and said that "actuaries determine funding targets with the consideration of multiple risks." He further described actuaries as "experts in risk and financial security" who must follow stringent professional standards when setting the assumptions on which they base their work.

He also pointed out that pension funding goes well beyond the work that actuaries do, that it also "includes a commitment toward responsible governance of those plans." He concluded by urging "all stakeholders in retirement plans to engage in a thoughtful public discussion of the issues if we are to assure financially secure and sustainable systems."

Credentials, Discipline, and Qualifications

ON MARCH 27, the Casualty, Health, and Life Practice councils and the Council on Professionalism submitted a joint letter containing responses to questions circulated by the National Association of Insurance Commissioners' (NAIC) Joint Qualified Actuary (A/B/C) subgroup.

The questions centered on the NAIC subgroup's charges with respect to developing a uniform definition of a "qualified actuary" and addressing "inappropriate" or "unprofessional" actuarial work by the insurance department. Academy responses discussed the reasons for and benefits of referencing in regulations professional actuarial organization credentials such as the M.A.A.A., stating that use of such designations enables "regulators to fully capture all of the complex, multifaceted obligations that such an organization requires of a member actuary deemed 'qualified.'"

The Academy also described the "due process" procedures of the Actuarial Board for Counseling and Discipline (ABCD) when investigating potential material violations of the profession's Code of Professional Conduct and noted the benefits of using the ABCD procedures over the potentially more drawn out process required under the model Administrative Procedures Act.

Encouraging Actuarial Representation on New Military Commission

ON APRIL 22, the Academy sent a letter to the president and congressional leaders encouraging them to appoint at least one actuary to the newly established Military Compensation and Retirement Modernization Commission. President Cecil D. Bykerk noted the particular skill sets that actuaries can bring to policy proposals, especially those affecting retirement programs: "Actuaries have specialized expertise in managing the risks associated with these plans, the ability to recognize and incorporate uncertainty into cost and funding projections, and experience in evaluating the long-term solvency and sustainability of public and private retirement programs."

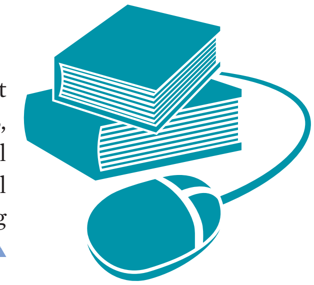
Become an Academy Volunteer

FIND OUT MORE about Academy volunteer opportunities by taking part in the annual Academy Volunteer Survey. With more than 17,500 members, the Academy offers plenty of ways for members to get involved with issues of interest in every practice area. Volunteering allows you to make a difference, gain exceptional understanding of issues that affect actuarial work and practices, extensively deepen and expand your actuarial expertise, and make profound professional and personal connections. The survey is available on the members-only section of the Academy website until May 24.

Avoid the Late Fee—Renew Your Dues Before May 1

TAKE FULL ADVANTAGE of your Academy membership by paying all dues by May 1 at the online payments page. Payments made after that date will be charged a 20 percent late fee. While online, don't forget to check out two Academy perks: Academy alerts and archived professionalism webinars. Alerts keep you in the know about key legislative and regulatory developments. Archived webinars may qualify for CE credits. Learn more and update your member profile by logging in.

Annual Report of the Actuarial Standards Board Is Available



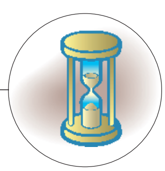
FIND OUT MORE in this report about the 2012 activities of the ASB, including information on several exposure drafts, adoption of two final ASOPs, highlights from its annual planning meeting, and its financial summary.

IN THE NEWS

Academy Senior Pension Fellow Don Fuerst was cited in a subscription-only *Bloomberg BNA* article, "Push to Strengthen Multiemployer Plans Is Under Way on Capitol Hill," which covered a session on the future of multiemployer plans at the recent Enrolled Actuaries Meeting. Fuerst said that basing "pension accounting standards on 25-year average bond rates would face almost certain opposition" and that the Obama administration "is likely to remain focused on applying risk-based concepts in setting the pension insurance premiums that sponsors pay."

A *Sacramento Bee* reporter cited the Academy's brief on the 80 percent funding standard myth in his blog, to support a higher "threshold for healthy pension funds" in a story about an accounting change for the California Public Employees' Retirement System.

LIFE NEWS



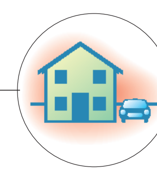
NAIC's Life Actuarial Task Force Hears From Academy

ON APRIL 4, Life Practice Council subgroups made presentations to the NAIC's Life Actuarial Task Force relating to development of an aggregate margin and mortality studies. Subgroups also presented reports on nonforfeiture modernization and synthetic guaranteed investment contracts and proposed amendments to VM-20 on policy loans, deterministic reserve, and pre-tax investment maintenance reserve.

LIFE BRIEFS

- **John Esch**, vice president for Allianz Life Insurance Co. of North America in Minneapolis, has joined the Aggregate Margin Task Force.
- **Richard Mattison**, senior vice president of risk management for Transamerica Stable Value Solutions Inc. in Baltimore, has joined the ARWG Deposit Fund Subgroup.

CASUALTY NEWS



Work Group Sends P/C RBC Report to NAIC

ON MARCH 29, the Property/Casualty Risk-Based Capital Committee sent a *Report on Reinsurance Credit Risk Charge in the NAIC Property/Casualty Risk-Based Capital* to the NAIC. The report provides insight and analysis of the issues surrounding the reinsurance credit risk charge in the calculation of the NAIC Property/Casualty (P/C) Risk-Based Capital (RBC). Specifically, it offers a framework for addressing current questions and points out what may need to be addressed to determine whether the current charge is appropriate and whether there are better ways to quantify the risks associated with reinsurance transactions.

CASUALTY BRIEFS

- **Kathy Odomirok**, a consulting actuary with Ernst & Young LLP in Boston, and **Susan Gozzo Andrews**, a property/casualty actuary with the Connecticut Insurance Department in Hartford, have joined the Effective Loss Reserve Opinion Seminar Subcommittee.

Recommendations on Actuarial Value

CORI UCCELLO, the Academy's senior health fellow, submitted suggested language on actuarial value to the NAIC's Consumer Information Subgroup for inclusion in a "frequently asked questions" document on April 1. Some examples include What is "actuarial value"? How do "metal" tiers relate to actuarial value? and What information is not reflected in actuarial values that may be important to consumers?

Comments to HHS on Contraceptive Benefits

ON MARCH 28, the Medical Loss Ratio Work Group submitted comments to HHS on the MLR calculation in a proposed rule that requires issuers to offer a new type of individual health insurance policy covering contraceptive benefits.

HEALTH BRIEFS

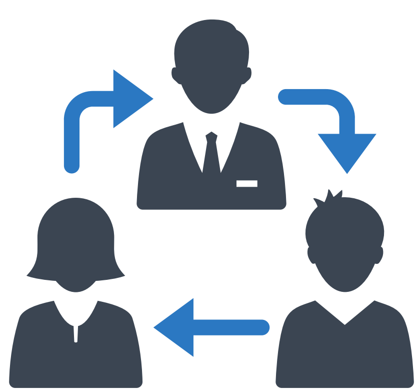
- **Robert Beal**, a consulting actuary for Milliman Inc. in Portland, Maine, and **Doug Taylor**, second vice president and actuary for Mass Mutual in Springfield, Mass., have joined the Committee on State Health Issues.
- **Warren Jones**, vice president of Genworth Financial in Richmond, Va., is the new chairperson for the Academy's newly formed Long-Term Care Terminations Work Group. Also joining the work group are **Ronald Lucas**, vice president for Unum in Portland, Maine; **Clark Heitkamp**, a consulting actuary for United Health Actuarial Services in Carmel, Ind.; **Joeff Williams**, a consultant for Actuarial Management Resources Inc. in Winston-Salem, N.C.; and **Perry Kupferman**, a supervising life actuary for the California Department of Insurance in Los Angeles.

LIFE BRIEFS

- **John Blocher**, an actuary with Security Benefit Life in Topeka, Kan., is the chairperson for the Academy's newly formed AG33 Non-Elective Incidence Task Force. Also joining the task force are **Corinne Jacobson**, assistant vice president of annuity valuation for Midland National Life Insurance Co. in Fargo, N.D.; **David Stalker**, an assistant actuary for AEGON Insurance Group in Cedar Rapids, Iowa; **David Tovson**, a consulting actuary for Tovson LLC in Coppell, Texas; **Michael Ward**, actuarial vice president for Life Insurance Co. of the Southwest in Addison, Texas; **Jim Lamson**, president of Actuarial Resources Corp. in Overland Park, Kan.; **Mike Harrington**, a consulting actuary for Actuarial Resources Corp. in Overland Park, Kan.; and **Pat Gallagher**, an actuary in Venice, Calif.

Academy Professionalism Group at the NAIC

REPRESENTATIVES FROM THE ACTUARIAL STANDARDS BOARD (ASB), the Actuarial Board for Counseling and Discipline (ABCD), the Academy's Committee on Qualifications, and the Academy's Council on Professionalism (COP) were a strong presence at the NAIC's spring meeting in Houston.



Curtis Huntington, a member of the ABCD; Patricia Matson, the vice chairperson of the ASB; and Cande Olsen, a member of the COP Task Force on Discipline, made presentations at meetings of three NAIC task forces: the Life Actuarial Task Force (LATF), Health Actuarial Task Force (HATF), and Casualty Actuarial and Statistical Task Force (CASTF). Representatives discussed proposed actuarial standards of practice relating to each task force's areas of practice, recent activities of the Academy's COP Task Force on Discipline, and 2012 statistics about disciplinary actions taken by the ABCD as well as statistics on individual requests for guidance during that year.

The COP also sponsored a popular April 6 breakfast for regulators and other interested parties in which regulators were encouraged to air issues of concern on actuarial professionalism. Among topics explored in a candid give-and-take discussion were:

- The reasons regulators are hesitant to report actuaries to the ABCD;
- Concerns that some of the actuarial standards of practice are not prescriptive enough to satisfy regulator needs;
- The role and responsibilities of the ABCD.

"The breakfast was very well attended by regulators and interested parties," said Olsen, who is also vice president of the Life Practice Council. "It was a meaningful dialogue."

Building on the success of these activities, the Academy plans to sponsor a similar breakfast get-together with regulators at the NAIC's summer meeting in August.

Academy Continues ACA Implementation Education

MEMBERS CONTINUE TO TAKE ADVANTAGE of Academy expertise and outreach on all things related to the Affordable Care Act (ACA). Two April Academy-sponsored webinars on complex implementation issues enabled participants to ask questions directly to representatives from the Center for Consumer Information and Insurance Oversight (CCIIO). ACA regulations require and recognize Academy membership as the qualification for actuaries providing certifications under ACA.

At the April 11 webinar, *Implementing the ACA—Minimum Value Calculator*, attendees posed general questions about the minimum value (MV) calculator, as well as specific questions about plan design, instructions to properly input data and interpret results, and technical issues.

Representatives from CCIIO answered questions about the current MV calculator on the website. They indicated it is most likely the final version, but they cannot officially confirm that yet. The current version had already been updated to fix an error related to calculating MV based on employer contributions to health savings accounts (HSAs).

Because of programming choices, the calculator doesn't address every input scenario, which is something certifying actuaries should keep in mind as they use the tool. For example, the minimum value will calculate if the medical and pharmacy out-of-pocket maximums are both separately less than $6,500 but will produce an error if the sum of the two maximums is greater than $6,500.

Attendees were also cautioned that the MV calculator was created with a very particular purpose: to address the minimum value relating to IRS requirements. In response to audience questions about other ways to use the calculator, representatives said CCIIO does not warrant its use for determining the actuarial value of large group plans, nor as a pricing tool to obtain ballpark figures for plan design changes.

During the April 18 ACA, *Rate Review and Disclosure* webinar, presenters Dennis Yu, Actuarial Branch director of the Oversight Group at CCIIO; Audrey Halvorson, chairperson of the Academy's Rate Review Practice Note Work Group; and David Shea, the Academy's vice president for health issues, fielded very specific questions related to the final unified rate review template (URRT) and actuarial memorandum.

For starters, the URRT is a new form that actuaries can use for federally facilitated exchange-qualified health plan applications, rate increases for any plan/product, and compliance with applicable state requirements. The URRT provides experience period and project period index rates as well as certain information by product and plan.

In addition, the URRT is used to demonstrate compliance with single risk pool requirements. The actuarial memorandum (Part III) shows allowable adjustments to the index rate, which must be described. Allowable market-level adjustments are done for reinsurance, risk adjustment, and user exchange fees.

Allowable plan-level adjustments are made for a plan's cost-sharing design; its provider network, delivery system characteristics, and use management practices; benefits in excess of essential health benefit requirements; administrative expenses, excluding user exchange fees; and catastrophic plan adjustments, including expected impact of the specific eligibility categories for these plans. The URRT does not provide typical rate development information.

Actuaries using the actuarial memorandum Part III are encouraged to stay current on state and Health and Human Services requirements and to read the instructions for both the URRT and the actuarial memorandum.

Know Your ACA Regulations Resources

Actuaries seeking further information on issues related to ACA implementation should consider consulting the regulations directly. The following resources make it simpler to access particular parts of the ACA requirements, which can make finding updates easier for actuaries:

- Center for Consumer Information and Insurance Oversight, Centers for Medicare and Medicaid Services
  http://cciio.cms.gov/
- Employee Benefits Security Administration, U.S. Department of Labor
  http://www.dol.gov/ebsa/healthreform/
- Internal Revenue Service
  http://www.irs.gov/uac/Affordable-Care-Act-Tax-Provisions
- Registration for Technical Assistance (REGTAP), Centers for Medicare and Medicaid Services
  http://www.regtap.info

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

- **Pete Rossi**, an actuary with the U.S. Department of Defense in Alexandria, Va., has joined the ERM Committee.

PENSION BRIEFS

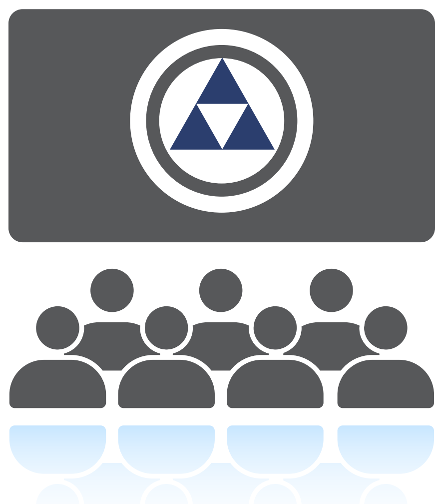
- **Jean Vergara**, a consulting actuary with Rael and Letson in Foster City, Calif.; and **John Robinson**, chief actuary for Capital Region BOCES in Albany, N.Y., have joined the Joint Committee on Retiree Health.

Members Represent the Academy and Comment on Key NAIC Issues

ACADEMY MEMBERS were active in a number of areas at the NAIC Spring National Meeting April 6-9 in Houston.

On April 4, Life Practice Council subgroups made presentations to the NAIC's Life Actuarial Task Force relating to development of an aggregate margin and mortality studies. Subgroups also presented reports on nonforfeiture modernization and synthetic guaranteed investment contracts and proposed amendments to VM-20 on policy loans, deterministic reserve, and pre-tax investment maintenance reserve.

At the April 5 meeting of the NAIC's Joint Qualified Actuary (A/B/C) Subgroup, Academy representatives, led by President Cecil Bykerk, discussed and responded to questions from regulators regarding the letter sent from the Casualty, Health, Life, and Professionalism councils in response to the subgroup's request for comments to a list of nine questions related to their charges.



On April 6, Academy Senior Life Fellow Nancy Bennett discussed key aspects of C1 bond factor development with the NAIC Investment Risk-Based Capital Working Group. She updated regulators on critical tasks, the work group's working construct, C1 modeling analysis and output, and upcoming major decisions for NAIC's Investment RBC Working Group.

Mike Angelina, vice president of the Casualty Practice Council, offered an actuarial perspective on terrorism risk insurance at an April 9 brunch sponsored by the NAIC's Center for Insurance Policy and Research. He focused on four main issues: the insurability of terrorism risk, the current and prospective market for terrorism coverage, the way the current Terrorism Risk Insurance Program (TRIP) (authorized in 2007 and expiring in 2014) works, and the importance of TRIP's timely renewal.

In the Post-NAIC Update/PBA Webinar, Mike Boerner, chairperson of the NAIC Life Actuarial (A) Task Force (LATF) and the Emerging Actuarial Issues (E) Work Group, discussed activity on both committees as well as the Principle-based Reserves (EX) Task Force, which is handling high-level strategy for the principle-based reserving (PBR) project. Dave Neve, chairperson of the Academy's Life Financial Soundness/Risk Management Committee, gave an update on Academy PBR activity, and Cande Olsen, vice president of the Life Practice Council, reported on the Academy's professionalism group's efforts at the last NAIC meeting.

Arizona is the first state to adopt PBR legislation. Two states—Indiana and Tennessee—await their governor's signature on the legislation, and 12 other jurisdictions are considering the legislation in their 2013 legislative sessions. PBR and the valuation manual will become operative on Jan. 1 following adoption by at least 42 jurisdictions that represent at least 75 percent of direct written premiums. The new NAIC PBR Implementation Task Force is working on legislative and implementation aspects.

Bob Yee, chairperson of the Academy's Long-Term Care Valuation Work Group, presented at the NAIC Long-Term Care Actuarial Working Group on April 5 on the long-term care valuation table project. He explained that a table is not feasible at this time because of the lack of quality data. Yee did indicate that some of the data gathered are useful and that the work group most likely will issue a report describing how the date can be helpful.

The NAIC's Health Actuarial Task Force (HATF) met on April 5 and heard two presentations from Academy members. The first was from Doug Taylor, co-chairperson of the Academy's Individual Disability Table Work Group, who spoke about work being done to update the table and the timeline for its completion. Taylor requested representation from HATF members to serve as interested parties on the work group, and two members volunteered.

Donna Novak, vice chairperson of the Health Practice Council, updated participants on the council's recent activities, such as a recommendation to the NAIC regarding the current health care receivables factors, practice notes on minimum value and rate filing memoranda, and actuarial standards of practice on Medicaid managed care and rate review. In addition, Novak mentioned four recent health webinars addressing issues such as Medicare and private insurer provider payment rates; the Affordable Care Act's minimum value calculator; risk adjustment, reinsurance, and risk corridors; and the final rules on essential health benefits and market reforms.

Academy's Annual Member Awards Are Now Open for Nominations

The Jarvis Farley Service Award is given to Academy members whose volunteer efforts on behalf of the Academy have made significant contributions to the advancement of the profession. The Robert J. Myers Public Service Award recognizes actuaries who have made an exceptional contribution to the common good, whether for a single noteworthy public service achievement or a career devoted to public service. And the Award for Outstanding Volunteerism honors Academy volunteers who have made a single noteworthy contribution above and beyond what is reasonably expected.

executive director of the ASPPA College of Pension Actuaries (ACOPA), and former senior benefits adviser for the Senate Finance Committee, discussed possible pension initiatives in the new Congress.

Listing the many political disagreements over how to fund or cut various government programs, continuing divisions on tax policy, budget gridlock, and fights over the debt limit, Pomeroy suggested that actuaries need to pay attention to what happens with the debt limit, entitlement cuts, and any move toward bipartisan approaches in general.

"This debate is as intellectually deep as the old Miller Lite commercials: Cut entitlements. Raise taxes," Pomeroy said. "Wouldn't this be much more interesting if our nation engaged in a meaningful discussion of risk?"

Fuerst focused on several pending or soon-to-be-pending issues in Congress. He began with highlights from the National Coordinating Committee of Multiemployer Plans (NCCMP) proposal for multiemployer plans. Recommendations fall into three main categories: create provisions to strengthen the current system, use measures that target deeply troubled plans, and look into alternative plan design structures.

"Forty different labor and employer organizations have given input regarding sunset of Pension Protection Act provisions," Fuerst said. "We have a deadline at the end of next year, and we need to deal with that. Meaningful proposals are on the table, and many are listening carefully and giving consideration to them."

Other significant legislation that may see action in coming months includes the Public Employee Pension Transparency Act,

SEE **EA MEETING,** PAGE 8

Professionalism: More Than Following the Rules

IN THE PRE-ENROLLED ACTUARIES MEETING Professional Standards Seminar, participants got more than an across-the-board look at their professionalism requirements. Structured to be dynamic and participatory, the seminar encouraged participants to think of meeting professional standards as more than fulfilling the basics of learning and following actuarial rules and regulations and to incorporate the standards into their daily practice.

"This session reinforced the importance of learning from one another," said Tom Terry, the Academy's president-elect. "And so there is no better first step than to talk to a fellow actuary when you feel that clench in your gut. The richness of discovering and learning and sorting things out with another professional is huge. It can confirm discomfort, help you get comfortable, or help you determine a course correction. So many things can emerge from talking to somebody."

Running from noon to 5 p.m. on the Sunday before the Enrolled Actuaries Meeting, the Professional Standards Seminar was divided into several key topic areas: standards of performance and discipline for enrolled actuaries under current regulations of the Joint Board for the Enrollment of Actuaries (JBEA); components of all aspects of actuarial professionalism, including qualifications and standards of practice; Actuarial Board for Counseling and Discipline (ABCD) overview and procedures; and ethical responses to the media.

In addition to Terry, seminar panelists included Patrick McDonough, executive director of the JBEA; Susan Breen-Held, a member of the Joint Program Committee for the Enrolled Actuaries Meeting; Curtis Huntington, a member of the ABCD, the Joint Committee on the Code of Professional Conduct, and the Academy's Council on Professionalism; Brian Jackson, attorney for the ABCD; and Sheila Kalkunte, the Academy's assistant general counsel.

The seminar offered participants the opportunity to talk to each other and to interact with and ask questions of representatives from the JBEA, the ABCD, the Academy's Committee on Qualifications, and other related Academy professionalism committees. Steve Rosen, the Academy's secretary, found the ability to talk directly to the Joint Board representatives extremely valuable. He said McDonough "demystified the whole EA process." All the panelists were approachable, Rosen said, giving out their email addresses and encouraging those with questions to get in touch. They made it clear they were a professionalism resource for members, Rosen said.

"Part of our mission at the Academy is to give that sort of support," he said. "We feel it is important that members know the Academy's role in professionalism and know we have the resources to support them."

Toward the end of the day, the session shifted in an unusual direction by providing participants an opportunity to discuss implications of unwelcome media attention. Participants were shown quotations from news stories that did not always portray actuaries and their work in a positive light. As Terry noted, the first reactions to such quotes are often understandably defensive—"If the reporter only knew what I know as an actuary, he or she wouldn't have said that."

But the quotes presented "an opportunity to step beyond our own personal perspective and our knowledge base," Terry said. "Let's really try to consider the perspective of someone else: the taxpayer, a pension plan participant, a regulator. How might the same set of facts or circumstances be viewed differently from their perspectives? What can we learn from that?"

The interactive nature of the ensuing discussions tied together specific actuarial professionalism requirements and also enabled participants to broaden their thinking to consider the wider implications of their work.

"It was energizing to talk about these real-life media quotes and instructive to explore the different perspectives," Terry said. "Our capacity to empathize with other viewpoints makes us stronger professionally—both individually and collectively."

PBGC premium proposals, and a proposal by Sen. Tom Harkin (D-Iowa) that would provide universal access to a professionally managed retirement fund with a lifetime income benefit.

In the meeting's final general session, which also kicked off the annual Pension Symposium (see Page 8), presenters looked at the seven principles of funding reform moving forward from the Pension Protection Act of 2006 (PPA). Academy members Ellen Kleinstuber, managing consultant at Savitz Organization and vice chairperson of the Pension Committee; Bruce Cadenhead, partner and chief actuary for U.S. retirement at Mercer and a member of the Pension Committee; Josh Shapiro, deputy executive director for research and education at the NCCMP, a member of the Pension Committee, and a member of the Multiemployer Plans Subcommittee; and William Hallmark, principal at Cheiron Inc. and chairperson of the Public Plans Subcommittee, managed the discussion.

The panelists looked at the ways in which these seven principles—solvency, predictability and hedgeability, transparency, incentives to fund/flexibility, avoidance of moral hazards, simplicity, and transition—apply to single-employer plans, multiemployer plans, and public-sector plans. They also discussed the successes and shortcomings of the PPA in a "Preliminary Scorecard" that rated the law in the context of the seven principles. Most concerns noted by panelists and participants boiled down to aspects of the PPA that were complex and cumbersome.

Cadenhead described the PPA's application to single-employer plans as a move in the right direction that has room for improvement. He discussed some recommendations from the Academy Pension Committee, which include adapting rules to consider additional risk factors, redesigning smoothing mechanisms, simplifying as much as possible, enhancing funding incentives and removing disincentives, and ensuring that rules are flexible enough to adapt to emerging plan designs.

Pension Actuaries Discuss Creative Solutions and Policy Influence

NOW IS THE TIME FOR ALL CONCERNED PENSION ACTUARIES to come to the aid of their profession. Given the long list of difficult-to-resolve complications since the passage of the Pension Protection Act (PPA)—market volatility, economic meltdowns, plan underfunding, and reduced rates of return—pension actuaries are perfectly positioned to take on these issues in a very public way.

"I am optimistic about the difference we can make by speaking out on these issues," said Academy Senior Pension Fellow Donald Fuerst, speaking at the 2013 Pension Symposium, April 10-11. "In 2010 we chose not to comment on funding reform, but in 2012 we spoke up and caused quite a debate. We enabled more discussion, with the result of greater disclosure that would not have been included otherwise. We can make a difference, and voicing our opinions is essential."

The symposium gave pension actuaries attending the 2013 Enrolled Actuaries Meeting the opportunity to discuss how best to make that difference a reality. In a free-ranging discussion, the approximately 50 participants in the symposium tackled issues ranging from the funding of single-employer and multiemployer pension plans, the Pension Benefit Guaranty Corp.'s (PBGC's) legacy liabilities and structure, and the role of the profession in influencing and shaping the debate.

"We heard from a great mix of actuaries, regulators, and economists on issues that have not been easy to resolve," Fuerst said. "The experience and creativity in this room strengthened my optimism that we will find ways to make pension plans work better in the future."

The closing session for the Enrolled Actuaries Meeting served as the opening session for the Pension Symposium. In that session, Academy members Ellen Kleinstuber, vice chairperson of the Pension Committee; Bruce Cadenhead, a member of the Pension Committee; Josh Shapiro, a member of the Pension Committee and a member of the Multiemployer Plans Subcommittee; and William Hallmark, chairperson of the Public Plans Subcommittee, discussed what has worked and what hasn't since the passage of the Pension Protection Act in 2006.

Summing up, Cadenhead said that reducing complexity and managing risk have to be the top goals of any possible revision to the current defined benefit system. "Emphasize designs that share risk, and develop mechanisms that give employers more certainty."

Kleinstuber also commented on the value of greater regulatory simplicity. "It strikes me that so much effort goes into making sure the funding rules and regulations don't allow for moral hazard," she said. "Instead, go in the direction of greater trust that sponsors will play by the rules, and then take action to shut down abusive practices from those who try to game the system."

Discussion on the PBGC focused on possibilities for strengthening its long-term sustainability. Douglas Elliott, a fellow in economic studies for the Initiative on Business and Public Policy at the Brookings Institution, said that legacy costs and plan structures were separate issues, although ones not easy to separate in the public discourse. Elliott's comment that there "was not a right answer here" when it comes to dealing with legacy costs was a sentiment that could be applied to many of the complicated issues discussed at the symposium.

Although the profession has competing visions for solutions, actuaries should not shy away from taking a stand.

"Most of our work is necessarily consensus-based work," said John Moore, chairperson of the Pension Practice Council. "But at times we need to be provocative to move the debate forward. We need to go out and stir things up without it being a binding opinion. There is value with going out with a voice—and it doesn't have to be a single voice."

Hill Visits, continued from Page 1

(Right) In the Rayburn Building, Audrey Halvorson, David Shea, Barb Klever, and Jennifer Gillespie assemble to meet with House staff members.

(Left) Tom Wildsmith, Laurel Kastrup, and Dave Tuomala prepare to visit Senate staff members.

(Right) Mike Abroe, Karen Bender, and Shari Westerfield confer before meeting with representatives from the Government Accountability Office.

Unified Rate Review Template, determining actuarial value in various circumstances, index rates, the "3 Rs," cost-sharing reduction reconciliation, and adjustments to Worksheets 1 and 2. "They really appreciated that we gave them questions and solutions," he said.

Offices and agencies had questions about the impact of ACA on premiums, and volunteers gave them information on what goes into determining the costs. Much of this work involved clarifying the various factors for these calculations and the difficulties with trying to assess premiums on an average basis when so much varies by states and individuals.

Although many interactions revolved around ACA in some way, Medicare was another key issue.

"Offices also showed interest in addressing Medicare's long-term solvency and sustainability," said Cori Uccello, senior health fellow at the Academy. "They look forward to our input on these issues and are well aware of and value our work."

For some participants, this was their first time to see the Academy working directly with policymakers, and the experience gave them a new perspective.

"I was glad I had the opportunity," said Barb Klever, chairperson of the Risk-Sharing Work Group. "It was interesting to get a different point of view and to see what they are thinking for the future."

In addition to Westerfield, Shea, Bingham, and Klever, the following volunteers gave their time to the Hill visits: Mike Abroe, Rowen Bell, Karen Bender, Joyce Bohl, Cecil Bykerk, Jennifer Gillespie, Audrey Halvorson, Laurel Kastrup, Darrell Knapp, Tim Luedtke, Karl Madrecki, Cathy Murphy-Barron, Jeff Petertil, Geoff Sandler, Mike Thompson, Dave Tuomala, Rod Turner, DeWayne Ullsperger, and Tom Wildsmith.

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