OCT 2014

Actuarial UPDATE

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

In 2015, the American Academy of Actuaries will celebrate its golden anniversary. In the run-up to and during the anniversary, Actuarial Update will run a series of conversations with Academy and stakeholder leaders that touch on changes and trends taking place in the profession. In this conversation, Actuarial Update spoke with the Academy presidential leadership—Past President Cecil D. Bykerk, President Tom Terry and President-Elect Mary D. Miller—to discuss some of the differences between the Academy and the Society of Actuaries, and how each organization is positioning itself for the future.

A Conversation with Academy Leadership: Organizational Legacies and the Future

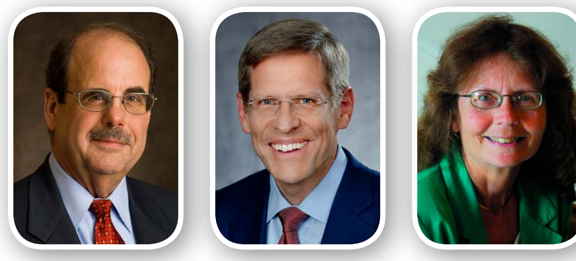
AU: Cecil, what are your thoughts on the direction of and the issues facing the U.S. profession?

CDB: The Academy's 50th anniversary is just around the corner—in 2015. We're going to use this next year to reflect a bit on our past but seriously look ahead to the big challenges facing all of us, individually and collectively. Health care, distressed public systems, our aging society, climate change—the list goes on. We'll be looking closely at all those issues and more as we map our direction into the next 50 years.

AU: Mary Downs, in her remarks (See Page 13) about the passing of Brad Smith, raised some good questions about the legacy and direction for the profession. Can you comment?

CDB: Yes. I'll start by saying that the U.S. actuarial profession has always been more than the vision of one individual or the direction of one organization. And for good reason.

As the U.S. national association, the Academy's mission is clear: We serve the public and the U.S. actuarial profession. We don't aspire to be global. We do represent, coordinate, and articulate the views of U.S. actuaries before international stakeholders.



Past President Cecil Bykerk, President Tom Terry and President-Elect Mary D. Miller

This is in sharp contrast to the Society of Actuaries (SOA), whose focus on education and research has always been and is now increasingly global in scope.

The Academy was established 50 years ago to bring credibility and recognition to actuaries practicing in the U.S. Independent from but with the full support of the educational societies, the Academy has created a framework of standards, discipline, and qualification for practice in the U.S., as well as a voice for the U.S. profession on public policy matters for which actuarial expertise is helpful to the public interest. We still do that.

SEE **LEGACIES**, PAGE 5

Pres. Tom Terry Comments on Requirements for Changing Practice Areas

ACADEMY PRESIDENT TOM TERRY emailed members Oct. 3 to clarify what the U.S. Qualification Standards (USQS) require of an actuary who wishes to change practice areas.

"Obtaining basic education (and first credential) is the first element of becoming qualified to issue Statements of Actuarial Opinions (SAOs) in the U.S." Terry wrote. "However, there are other important components of qualification under the USQS. After an actuary completes his or her basic education, he or she may be qualified in the practice area (life, health, pension, property & casualty) in which he or she earned the initial credential and obtained three years of responsible actuarial experience."

An actuary who wishes to make a career change, he wrote, "may change practice areas IF he or she follows the USQS requirements, which are largely based upon the experience he or she acquires under the review of an actuary qualified in the new practice area."

The clarification seeks to dispel confusion for thousands of Academy members who may have received an email that stated that one credential gives an actuary ease of movement from one practice area to another without replacing credentials. "Any actuary, regardless of credential, must follow the USQS to be qualified to issue SAOs in another practice area," Terry explained.

NOVEMBER

10-13 2014 Life and Health Qualifications Seminar, Arlington, Va.

13-14 Academy Annual Meeting, Washington

16-19 NAIC fall meeting, Washington

20-23 NCOIL annual meeting, San Francisco

DECEMBER

2-3 Seminar on P/C Effective Loss Reserve Opinions, Baltimore

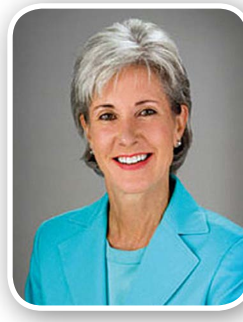
4 Executive Committee meeting, Washington

7-8 North American Actuarial Council, Merida, Mexico

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

Sebelius to Speak at Annual Meeting



KATHLEEN SEBELIUS, former U.S. secretary of health and human services (HHS), will deliver the opening keynote address at the Academy's Annual Meeting and Public Policy Forum in Washington in November.

As HHS secretary, Sebelius was on point during the congressional development, passage, and ultimately the implementation of the Affordable Care Act. As secretary she also oversaw important public programs such as Medicare, Medicaid, and the Children's Health Insurance Program. In her opening keynote address for the Annual Meeting, Sebelius will reflect on the lessons learned from this experience and what the future might hold in these critical areas of health care public policy.

Other guest speakers include former Sen. Ben Nelson, the chief executive officer of the National Association of Insurance Commissioners, representatives of the White House and several federal agencies, state insurance officials, academic experts, and leaders of the actuarial profession.

Six distinguished actuaries will be recognized with Academy awards. Comedian Mark Russell will perform at the awards dinner, offering his satirical, musical take on the headlines of the day.

Attendees may earn up to 12.2 organized activity continuing education (CE) credits, depending upon area of practice, including 1.5 in professionalism.

Tickets are available for the full program, one day, or for the dinner only. The meeting will be held at the Hyatt Regency on Capitol Hill. Learn more and register for the Annual Meeting.

Volunteers Needed To Help Workers, Retirees With Pension Questions

ACADEMY MEMBERSHIP gives actuaries the opportunity to serve the public. Like lawyers performing pro bono work or doctors volunteering their services to free health clinics, actuaries have a unique skill set that can be used to meet a community need.

One of the best opportunities to serve the public comes through the Academy's Pension Assistance List (PAL). The PAL is a team of volunteer actuaries who provide professional services to consumers who have questions about their pension plans. PAL volunteers are put in touch with a retiree or worker who has a specific issue with their pension, and asked to offer up to four hours of free help to resolve it.

The PAL is always recruiting new volunteers. Getting started is as simple as filling out a quick questionnaire on our website, or reaching out to volunteer coordinator Kyla Ruiz at (202) 223-8196, or ruiz@actuary.org.

IN THE NEWS

Announcements of the election of Tom Wildsmith, senior public policy manager for Aetna in Washington, to the position of Academy president-elect were published in Insurance News Net, *Washington Business Journal*, Property-Casualty360 and other media outlets. Wildsmith has previously held several leadership positions within the Health Practice Council, and will succeed Mary D. Miller as president for the 2015-16 term.

A *Forbes* column on planning for lifetime income needs cited the Academy's public policy discussion paper, "Risky Business: Living Longer Without Income for Life," in alerting readers to longevity risk—the possibility that they will need income to live into very old age.

A *Becker's Hospital Review* story announcing the Centers for Medicare and Medicaid Services 2015 Medicaid managed care rate setting consultation guide for states noted that rate certification submissions must include a letter from a certifying actuary "who meets the qualification standards established by the American Academy of

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Actuaries and follows the practice standards established by the Actuarial Standards Board."

A Washington Insurance Rider blog post covering the recent National Association of Insurance Commissioners (NAIC) ComFrame Development and Analysis Working Group meeting in Washington quoted the Solvency Committee's comments regarding key considerations for establishing insurance group solvency and capital standards. Additionally, the Academy's announcement that it would offer its assistance to NAIC efforts to develop such standards was highlighted by Insurance Broadcasting.

A column in the Stamford, Conn., *Advocate* examining the sustainability of the state's public pension system cited the Academy's analysis of funding levels for pension obligations. The Academy's "80% Pension Funding Standard Myth" paper notes that most plans should have the objective of accumulating assets equal to 100 percent of relevant pension obligations.

A story in the (subscriber-only) Bloomberg BNA Daily Report for Executives cites the Academy as one of several organizations that have raised data quality concerns with the RP-2014 Mortality Tables and Mortality Improvement Scale MP-2014. The article reported that several organizations representing defined benefit plan sponsors have recently requested that "the Society of Actuaries should take more time to review its exposure draft mortality tables… citing data quality concerns."

The Lund Report, an independent health news site focused on Oregon's health care system, asked Health Practice Council member Donna Novak to explain the basic principles behind risk-based capital in a subscriber-only story examining health insurance company capital reserves. Novak, who worked with the NAIC in developing the risk-based capital benchmark, explained some of the actuarial considerations involved in determining the benchmark, saying, "The risks for an insurer primarily revolve around the underwriting risk, which is a function of premium claims levels. There are also other risks measured. There's the risk of their asset portfolio [underperforming]. There is business risk, which might revolve around administrative costs."

The Academy congratulates The Actuarial Foundation on its 20th anniversary.

Since 1994, The Actuarial Foundation has been making a difference through education. With the unique talents and volunteer spirit of actuaries, the Foundation has enjoyed 20 years of profound success in filling the need for math and financial literacy education.

CASUALTY BRIEFS

➥ **Scott Lefkowitz**, consulting actuary at Oliver Wyman in Melville, N.Y., has joined the Workers' Compensation Committee.

PENSION BRIEFS

➥ **Rory Badura**, senior staff actuary at Virginia Retirement System in Midlothian, Va., has joined the Public Plans Subcommittee.

PROFESSIONALISM COUNTS

Are You Using The Right ASOPs? Check Out The New Applicability Guidelines

Do you ever wonder whether you are following all the actuarial standards of practice (ASOPs) that might apply when performing an actuarial assignment? If so, you may want to take a look at the recently updated Applicability Guidelines.

The Applicability Guidelines are not issued by the Actuarial Standards Board (ASB) and are therefore not authoritative guidance. Instead, they are intended to help actuaries determine which ASOPs to use for a particular actuarial assignment. With the ASB issuing several new ASOPs in the last few years, and revising many others, the Academy's Council on Professionalism has updated the Applicability Guidelines to reflect current ASOPs. The council plans to update them more frequently in the future.

The updated guidelines feature a new format: a Microsoft Excel file, with a separate sheet for each practice area (casualty, health, life, and pension). Each sheet lists common actuarial tasks in that practice area, and the ASOPs that usually apply to that task. For example, if you are working on a casualty assignment related to appraisals, you can look to the appraisals row on the casualty sheet and quickly see that ASOPs Nos. 7, 12, 19, 20, 21, 25, 38, and 43 might apply. At the top of the page is a link to each relevant ASOP for that practice area, for easy access. The Excel format also allows you to select and print just the tasks and ASOPs that are relevant to your assignment.

Three ASOPs—No. 1, *Introductory Actuarial Standard of Practice*; No. 23, *Data Quality;* and No. 41, *Actuarial Communications*—apply to all assignments in all practice areas, and a reminder of this appears at the top of each sheet.

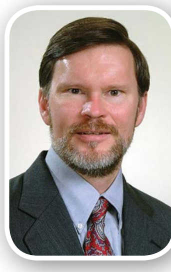
The guidelines are meant to encourage professionalism among actuaries, but they are not exhaustive or authoritative. Ultimately, the actuary is responsible for identifying the standard or standards that apply to each assignment and for applying such requirements appropriately when performing that assignment.

Election Results: Wildsmith to Serve as Academy President

AT ITS OCT. 7 MEETING, the Academy's Board of Directors elected a slate of candidates to serve in officer positions beginning after the Academy's Annual Meeting in November. Longtime volunteer Tom Wildsmith is president-elect, and will serve as Academy president for the 2015-16 term. Joining Wildsmith are Treasurer Art Panighetti and Secretary John Moore, who were re-elected to new one-year terms in their existing roles, and three new vice presidents elected to head Academy practice councils.

The candidates were previously announced to the membership by the Nominating Committee over the summer, after an extensive search.

Tom Wildsmith, President-Elect

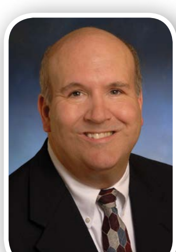


Currently senior public policy manager in Aetna's Washington office, Wildsmith has more than 30 years of experience as an actuary. He is a veteran volunteer, having served as the Academy's vice president for health from 2010 to 2012; he currently serves as chairperson of the Health Practice Council's Communications Committee and the Medicare Steering Committee. He is also a member of the Public Interest Committee.

An Academy member since 1989, Wildsmith has performed critical work for subgroups on actuarial value, premium review, exchanges, risk sharing, and health care costs.

"As the unified voice of U.S. actuaries from all areas of practice, the Academy plays a vital role in providing actuarially informed, objective analysis to policymakers, and supports rigorous standards of qualification, standards of practice, and counseling and discipline for the profession," Wildsmith said. "I look forward to working as president-elect and then as president to maximize the Academy's effectiveness in its public policy and professionalism mission."

Art Panighetti, Treasurer

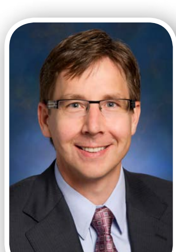


Art Panighetti will serve a third year as Academy treasurer. The treasurer is elected annually by the board, and may serve for three consecutive one-year terms.

Panighetti, an Academy member since 1985, is an actuary with Pacific Life Insurance Co. in Newport Beach, Calif. He served as the Academy's vice president for life from 2009 to 2011, and has twice served on the Academy Board of Directors. Panighetti has participated in more than two dozen Academy committees and work groups.

He will continue to oversee committees responsible for the Academy's budgetary and finance matters.

John Moore, Secretary



John Moore, chief operating officer and chief actuary of The Terry Group, was re-elected to a second one-year term as secretary. The secretary is elected annually by the board, and may serve for three consecutive one-year terms.

A member since 1996, Moore has worked on pension issues on several Academy committees, served as vice president for pension from 2011 to 2013, and currently chairs the Communications Review Committee.

He will continue to oversee committees responsible for the Academy's communications functions.

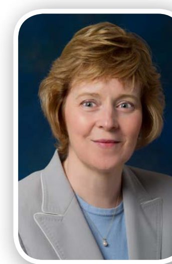
Shawna Ackerman, Vice President, Casualty

Shawna Ackerman, chief actuary of the California Earthquake Authority in Sacramento, Calif., will serve as vice president and chair the Academy's Casualty Practice Council.

Ackerman has served on the Public Interest Committee since 2013 and has chaired committees working on natural catastrophe modeling and extreme events. She has been a member since 1998.

The Casualty Practice Council oversees and directs the Academy's work on property and casualty insurance issues, including medical professional liability, workers' compensation, and extreme events, such as climate change and terrorism.

Cathy Murphy-Barron, Vice President, Health

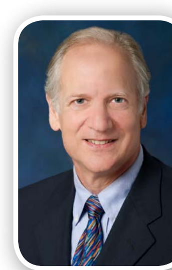


Cathy Murphy-Barron, a consulting actuary with Milliman Inc., was elected vice president and will chair the Academy's Health Practice Council.

Murphy-Barron joined the Academy in 1995 and has been on the board of directors since 2010. She served on the Nominating Committee, and the Committee on Strategic Planning, and has been both chairperson and vice chairperson of the Committee on Federal Health Issues.

The Health Practice Council oversees the Academy's work providing objective technical expertise to federal and state policymakers and regulators on health insurance issues.

Ken Kent, Vice President, Professionalism



Ken Kent, principal consulting actuary with Cheiron Inc. in McLean, Va., was elected vice president and will chair the Academy's Council on Professionalism.

Kent has been an Academy member since 1986, serving in many capacities. He was vice president and chairperson of the Pension Practice Council from 2003 to 2005, and has chaired the Audit Committee and the Para-Actuary Task Force. Kent was president of the Conference of Consulting Actuaries from 2001 to 2002.

As chairperson of the Council on Professionalism, Kent will help coordinate the Academy's activities in the field of professionalism, including maintaining the Code of Professional Conduct and the U.S. Qualification Standards and representing the U.S. profession to policymakers.

In recent years, the SOA has decided that, while it would continue as an educational and research society, it would commence a strategy of aggressive global expansion with a particular focus on Asia. At the same time, it is attempting to broaden its approach to matters affecting the U.S. profession. These strategies may serve the SOA. I am not sure they serve the U.S. profession.

AU: Why not?

CDB: The largely self-regulated nature of our profession requires vigilant self-examination of our standards of practice, our code of professional conduct, and our qualification standards. That self-examination is necessary for professional credibility and objectivity and for making sure that actuaries are professionally accountable. In my view, that requires an independent, objective, noncommercial organization whose exclusive focus is on the U.S.

By contrast, the SOA derives the majority of its annual revenues from its educational testing programs around the world. It increases those revenues by growing its global reach. In my view, that creates financial incentives for the SOA to focus on what candidates and employers want in those increasingly distant geographies. While that focus is laudable in many ways, it is, in my opinion, qualitatively different from a focus on U.S. practice—including practice standards, qualification standards, the code of professional conduct, and other professionalism issues—which are the principal concerns of the Academy.

AU: Tom, you've been the CEO of an actuarial firm. If the SOA is focused on employer needs, what does that say about the Academy's focus? Does the Academy care about employers?

TT: Absolutely we do. We want employers to want their employees to be members of the Academy because they recognize the stature and respect the profession receives by being accountable and present in public policy matters. We think that recognition reflects well on employers and enhances the employers' own reputations and services.

This is not inconsistent with our efforts to assure that our 1,200 volunteers work to maintain the Academy's hard-earned reputation for objectivity and independence and are not pursuing the interests of clients or employers or other commercial undertakings in their Academy activities.

There are synergistic financial incentives between the educational societies and employers in assuring they educate and hire those who can be identified as well-educated in basic actuarial science. It serves the interests of those societies and employers in very tangible ways.

The financial synergy between the Academy and employers of actuaries lies in the valuable asset that is created by the public policy and professionalism work we do—and by the independence and objectivity that we adhere to as we conduct that work. The resulting reputational asset that U.S. actuaries and their employers enjoy is very different from the credential earned by passing what we all agree are very rigorous and difficult examinations. And the Academy, through the work of its 1,200 volunteers, works hard to maintain the value of that asset.

AU: All of you have been involved in actuarial leadership positions for many years. Cecil and Mary, you're both very familiar with the NAIC and the role that the Academy has had there. Do you want to address what you see happening on the regulatory front?

MDM: I was a regulator for many years. The Academy has long been the primary interface with the regulatory community in the U.S. Membership in the Academy and compliance with the U.S. Qualification Standards are the fundamental elements on which regulators have relied to assess qualifications of appointed actuaries. We work closely with regulators to demonstrate our commitment to listen to their concerns and to address those concerns in a straightforward and responsive way. I'll elaborate on that in a future article.

CDB: When the SOA decided to offer general insurance property and casualty exams, which it said was part of its global growth strategy, it received questions about how U.S. regulators saw their efforts. To demonstrate U.S. acceptance, the SOA is seeking reference and acknowledgment by U.S. regulators of its general insurance track as a basic education credential. However, as Tom pointed out in his Oct. 3, 2014, letter to Academy members, being qualified to sign annual statutory statements requires far more than a basic education credential. At discussions about this at the National Association of Insurance Commissioners, the Academy has said that it believes that, as a basic education provider, the SOA is similar to other international education providers, particularly the United Kingdom's Institute and Faculty of Actuaries (IFOA), in terms of recognizing a basic and first education credential. Neither the SOA nor the IFOA is the national association of practicing actuaries that focuses on practice and professionalism issues in the U.S.

The Academy has always been the national association of actuaries in the U.S. The SOA has said it's a global organization. The SOA, as the Academy understands its approach, is seeking U.S. regulatory endorsements in order to further its global growth strategy. U.S. regulators sought the Academy's views, and we expressed our opinion on this issue. The Academy has a responsibility and obligation to address concerns regarding actuarial qualification before public policy makers, so it should not come as a surprise that we would do just that.

AU: Getting back to legacies and the future, actuarial organizations based in the U.S. are obviously in the midst of some changes. How do these changes affect the Academy going forward?

TT: The Academy cannot change the goals and activities of other organizations. We have never thought of the SOA as a commercial competitor and we still do not. Yet the SOA has told us they have commercial interests that are adverse to the Academy. We have to consider that moving forward.

I think we need to embrace change and invest in the future of the profession in the U.S. And, we should do this by adhering to our core principles—objectivity and independence.

Further, as we've discussed on several occasions at the Academy board this year, our forward initiatives should be guided by assuring that the actuarial profession in the U.S. is identified as an accountable, responsible, and excellent cadre of professionals. I think we accomplish that only by being accountable and responsible to the public and ourselves through a structure of public policy and professionalism that is U.S.-focused and clearly distinct from commercial interests.

Janet Fagan Appointed ABCD Chairperson; Member Appointments and Reappointments

JANET FAGAN has been appointed to serve as chairperson of the Academy's Actuarial Board for Counseling and Discipline (ABCD) beginning in 2015. Fagan, an Academy member since 1979, has been a member of the ABCD for four years, and has served as vice chairperson since 2012. She follows Bob Rietz, chairperson for two years, whose term ends at the end of this calendar year.

Allan Ryan and David Ogden have been reappointed to the ABCD. Both were originally appointed last year to serve out the remainder of terms resulting from the deaths of former ABCD members Curtis Huntington and Paul Fleischacker. Ryan has been an Academy member since 1978 and previously served as the Academy's vice president for professionalism. Ogden became an Academy member in 1982 and formerly served on the Health Committee of the Actuarial Standards Board, including being chairperson.

Janet Carstens and Rick Block were both reappointed vice chairpersons for the 2015 term.

Carstens has been an Academy member for 26 years, and works as a consulting actuary in Minneapolis. Block, a consulting actuary from El Segundo, Calif., joined the Academy in 1982.

John Stokesbury, a director with Deloitte Consulting in Parsippany, N.J., has been appointed to a three-year term on the board. A 29-year Academy member, Stokesbury has served on the Pension Practice Council, the Financial Reporting Committee, and the Joint Committee on the Code of Professional Conduct.

These appointments were made by the Selection Committee, which is established in the Academy bylaws and chaired by Academy President Tom Terry. The committee is composed of the presidents and presidents-elect of the five U.S.-based actuarial organizations.

The ABCD is an autonomous board housed within the Academy to respond to actuaries' requests for guidance on professionalism issues. The board is also the U.S. actuarial profession's vehicle to consider all complaints concerning alleged violations of the Code of Professional Conduct and to recommend disciplinary actions to member organizations for material violations of professional standards. Through the work of the ABCD, the U.S. actuarial profession has a specialized body to assist and determine the proper application of professionalism standards in particular situations.

PROFESSIONALISM BRIEFS

- **Keith Passwater**, vice president, finance and actuarial at WellPoint Inc. in Indianapolis, is now chairperson of the Committee on Qualifications.
- **Chad Wischmeyer**, partner at Oliver Wyman in Atlanta, has joined the Council on Professionalism.
- **Thomas A. Campbell**, senior actuarial consultant at Actuarial Resources Corp. in Farmington, Conn., has joined the Committee on Qualifications.
- **Al Beer**, former chairperson of the Actuarial Standards Board (ASB), provided an update on recent ASB activities to an audience of 150+ attendees of the Casualty Actuaries of the Mid-Atlantic Region's Oct. 9 meeting in West Windsor, N.J.
- ASB General Committee Member **Raymond Brouillette** delivered the Twin Cities Actuarial Club's annual seminar on professionalism topics at its Oct. 21 meeting in Minneapolis, attended by approximately 200 actuaries.

New Members Join ASB; Matson Reappointed Chairperson

PATRICIA MATSON has been appointed to serve a second term in 2015 as chairperson of the Actuarial Standards Board (ASB). Matson, a director with Risk and Regulatory Consulting in Farmington, Conn., has been a member of the ASB since 2010. An Academy member for 18 years, she has served on more than a dozen Academy committees.

ASB member Maryellen Coggins will serve as vice chairperson in 2015. Coggins, a director with PricewaterhouseCoopers, has been an Academy member since 1995. She has been a member of numerous Academy committees. She will be joined by Beth Fitzgerald, another current ASB member, as vice chairperson. Fitzgerald, assistant vice president with Insurance Services Office Inc. in Jersey City, N.J., has been an Academy member since 1988.

With the departure of three long-serving members—Bob Meilander, Jim Verlautz, and Jim Murphy—the ASB will welcome three new members to terms beginning in in 2015. Barbara Snyder, senior vice president and chief reserving actuary with SCOR Global Life Americas; Frank Todisco, chief actuary with the U.S. Government Accountability Office; and Ross Winkelman, managing director of Wakely Consulting Group, join the board.

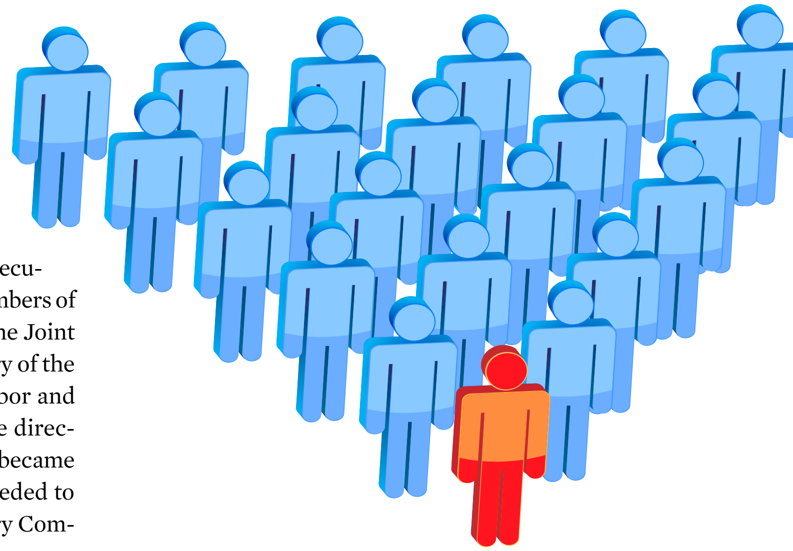
These appointments are also made by the Selection Committee, which is established in the Academy bylaws and chaired by Academy President Tom Terry. The committee is composed of the presidents and presidents-elect of the five U.S.-based actuarial orginizations.

Actuarial Update will run more in-depth profiles of these individuals in the coming months.

The ASB is an autonomous board housed within the Academy to set standards for appropriate actuarial practice in the United States through the development of actuarial standards of practice (ASOPs). ASOPs indicate the appropriate procedures, techniques, and approaches an actuary should follow when performing actuarial services, and serve to assure the public that actuaries are professionally accountable.

Joint Board Advisory Committee Seeks Applicants

CARL SHALIT



DO YOU KNOW WHO DEVELOPS the examinations you must pass to become an enrolled actuary? When the Employee Retirement Income Security Act was passed in 1974, that responsibility fell to the members of the Joint Board for the Enrollment of Actuaries (JBEA). The Joint Board consists of three members appointed by the Secretary of the Treasury, two members appointed by the Secretary of Labor and one non-voting representative appointed by the executive director of the Pension Benefit Guaranty Corporation. When it became apparent that substantial private-sector assistance was needed to develop the examinations, the JBEA chartered the Advisory Committee on Actuarial Examinations (AC) in 1976.

The AC is responsible for reviewing, editing, and finalizing examination questions. The final examinations, which are cosponsored by the Society of Actuaries (SOA), the American Society of Pension Professionals and Actuaries (ASPPA), and the JBEA, must be approved by the JBEA before they are administered.

In addition to preparing the examinations, the AC reviews statistical results of the examinations and recommends pass marks to the JBEA. The committee also assists in developing the syllabi and addresses other issues related to the enrollment examination process.

The JBEA formally renews the AC every two years. Pursuant to an agreement among the three cosponsors of the examinations, the AC is composed of two SOA-sponsored members, two ASPPA-sponsored members, and five at-large members. The current members of the committee are John Benge, Michael Economos, Janet Eisenberg, Robyn Hamilton, Joshua Kaplan, Richard Kutikoff, Maria Sarli, Carl Shalit, and Hal Tepfer.

The term of the current AC ends on Feb. 28, 2015. It is not known how many of the current members will choose to reapply; regardless, reappointment is not automatic. When forming the new committee, the JBEA looks for a broad cross-section of actuaries with either or both of large- and small-plan experience and either or both of single employer and multiemployer experience to ensure that the examinations reflect the skills necessary for the entire defined benefit marketplace.

The JBEA is now seeking applications from enrolled actuaries who are willing to volunteer substantial time and effort on behalf of the enrolled actuary community through service on the AC. Applicants should be experienced enrolled actuaries in good standing who are thoroughly familiar with the topics on the EA-1 examination—compound interest and life contingencies; and on the EA-2 examination—pension law in EA-2(L) and selection of assumptions, funding, and deductions in EA-2(F). Applicants should also be interested in the academic side of the enrollment process and must be willing and able to participate in the scheduled meetings.

The AC meets four times a year—twice in Washington (in January and July), and twice in other cities (in late April and late October). Members are reimbursed for travel expenses incurred in accordance with applicable government regulations. Portions of the two Washington meetings, which generally last two full days, are devoted to pass mark discussions and discussion of public agenda issues related to the enrollment examinations.

Applicants should be prepared to devote from 125 to 175 hours, including meeting time, to the work of the AC over the course of a year. Several committee members contribute additional time by maintaining drafts of the examinations and of the examination booklet and by dealing with other sundry matters that inevitably arise between meetings.

Service on the AC is an excellent way to stay familiar with the technical side of pension actuarial practice, particularly on topics covered by the EA-2(L) and EA-2(F) examinations. Committee service also provides a strong sense of accomplishment in an area relevant to our practice.

Committee members earn 18 core hours of continuing professional education credit for each full year of participation. Service on the AC also provides an opportunity to develop close camaraderie with experienced actuaries in private industry as well as in the federal government.

Actuaries seeking appointment to the AC should send a letter describing their credentials and experience (particularly mentioning any other professional committees on which they have served) to:

Joint Board for the Enrollment of Actuaries
Return Preparer Office SE:RPO
Internal Revenue Service
1111 Constitution Avenue, N.W., Park 4, Floor 4
Washington, D.C. 20224.

The JBEA will consider all applications received by Dec. 5, 2014. If you have questions about the AC, contact Patrick W. McDonough, executive director of the JBEA, at (703) 414-2173 or me at (978) 745-9939.

CARL SHALIT, MAAA, FSA, EA, MSPA is a consulting actuary in Salem, Mass., and is the current chair of the JBEA's Advisory Committee on Actuarial Examinations.

Parting Thoughts: Pride in Our Profession

KAREN TERRY, VICE PRESIDENT, PROFESSIONALISM

IT'S BEEN AN HONOR AND A PRIVILEGE to serve as the Academy's vice president for professionalism for the past two years. As my term comes to an end, I'm left with an enduring pride in what we do as a profession. We have a long history of ethical behavior. It's at the core of who we are and what we do.

An actuary's role, after all, is to bring as much certainty as can be brought into uncertain situations. More than anything else, we help our clients understand their risks and prepare to meet them responsibly. We help people retire with confidence that they will be able to provide for themselves. We help people heal, and trust that their health care will be provided for. We help ensure that, no matter what disasters may come, homes and businesses can be restored.

We share a tremendous responsibility, and our clients and the public trust us with it. We do the right thing because it's the right thing. No other reason is needed. That we remain a self-regulated profession is an enormous compliment to the integrity and character of the people who choose this profession.

The written proof of that integrity is the system of documented standards and safeguards we have adopted and agreed to work by. The Code of Professional Conduct, the U.S. Qualification Standards and the actuarial standards of practice (ASOPs) are at the heart of what it means to be an actuary.

And we write them, maintain them, and enforce them ourselves. That's a tremendous credit to each and every one of you.

The Council on Professionalism has had a busy and successful two years:

- A personal highlight for me was publication of the discussion paper *The Application of Precept 13 of the Code of Professional Conduct*. The paper deals directly with our responsibility as a self-regulated profession. A corresponding infographic was made available at the same time the paper was published.
- The council continued to host quarterly professionalism webinars for our members, including discussion on actuarial communications, Precept 13, risk management, the Code, and the Qualification Standards.
- A core group of volunteers continued to interface with regulators at the three annual meetings of the National Association of Insurance Commissioners (NAIC).
- At the recommendation of the council, the Academy board moved to adopt as a board policy the existing practice of ensuring discipline notices provide educational value for the membership when possible.

There is much work to be done. But I know firsthand the dedication of the volunteers standing ready to continue the work, and I feel confident great work will continue.

I've enjoyed the opportunity to work closely with the many dedicated actuaries who take their profession and their professional responsibility seriously. My sincere thanks to all of them. I'd also like to take the time to thank Sheila Kalkunte, the Academy's assistant general counsel, for her dedication to the work of the council. I wish everyone the best as the council continues to advance the Academy's professionalism mission.

Parting Thoughts: Balancing Short- and Long-Term Challenges

DAVID SHEA, VICE PRESIDENT, HEALTH

THE HEALTH PRACTICE COUNCIL (HPC) has nearly 30 committees, work groups, and task forces that engage on relevant health-related projects at any given time. That's more than 300 volunteers who spend varying amounts of time to ensure that the HPC and the Academy are able to represent the profession on public policy issues at both the federal and state levels.

Even with so many volunteers, this is no easy task. It is often a challenge to determine how best to deploy our resources—focusing on short-term projects while anticipating and planning for long-term policy needs. But we've accomplished both during my tenure as vice president of the HPC.

In many ways, the term "health care" has become synonymous with the Affordable Care Act (ACA). The ACA remains one of our short-term priorities. In the past two years, Cori Uccello, the Academy's senior health fellow, has testified twice before Congress on issues related to ACA implementation and submitted written testimony in response to several hearings on both ACA- and Medicare-related issues.

The HPC has hosted multiple briefings (formal and informal) for congressional staff on these same issues, and sent nearly 20 comment letters to Congress and/or the U.S. Department of Health and Human Services on issues ranging from the new Unified Rate Review Template instructions and the benefit and payment parameter regulations to the implications of delaying the individual mandate or extending the open enrollment period and modifying ACA provisions related to plan cancellations.

We also want to ensure that our members have the tools and information they need to navigate these policy matters.

We have hosted nine webinars addressing issues related to ACA implementation. Several of those webinars featured guest speakers from the Center for Consumer Information and Insurance Oversight answering member questions about rate review and disclosure, the new market reforms, actuarial value (AV) and minimum value (MV) requirements, and the risk-sharing mechanisms (known as the 3Rs). Others focused on new practice notes, offering members

SEE **DAVID SHEA**, PAGE 9

David Shea, continued from Page 8

a chance to understand and ask questions about current practice on rate review and MV/AV determinations.

We also have a strong presence at the state level, in particular with the National Association of Insurance Commissioners (NAIC). In the past two years, we've completed five significant data-driven projects: an updated valuation table for group long-term disability, an updated version of the 1985 Commissioners Individual Disability tables (expected to be approved at the November NAIC meeting), recommendations on potential modifications to the Medicare Supplement refund formula (also for the November meeting), recommendations related to the Medicare Part D RBC formula, and a proposal for changes to the Orange blank to capture information needed to determine RBC factors for health care receivables.

We continue to take on new projects in conjunction with the NAIC, such as a monograph examining credibility issues in long-term care and data collection and analysis on long-term care terminations.

The HPC also has several longer-term initiatives that we will continue to work on in the coming years, including health care costs and long-term care.

While the ACA may have included some provisions intended to address the growth of health care costs, more work needs to be done. These can't be quick fixes if the goal is to permanently bend the cost curve.

When solutions to this issue are discussed, we often hear key words such as "delivery system reform," "payment reform," "value-based insurance design," "disease management programs," and "prevention and wellness initiatives." There is evidence that these approaches may reduce costs and improve quality of care, but in most cases, more research and data analysis is needed.

The HPC created a work group charged with exploring these initiatives. The group has already begun putting together basic, level-setting information for policymakers on what delivery system and payment reform means for the private market and Medicare. Projects also are under way looking at proposals to reform Medicare and Medicaid, and how those reforms may affect cost, quality, and access.

Focusing on the needs of an aging population will be an important undertaking for the Academy as a whole, not just the HPC. In addition to ensuring the solvency and sustainability of Medicare and Social Security, the Academy has already developed an initiative to promote lifetime income to bolster retirement security. But, we can't forget the importance of ensuring health care and long-term care needs are met as individuals grow older.

Long-term care is another longer-term issue the HPC has made a priority for the coming years. Any national discussions regarding long-term care policy options must incorporate the perspective of the actuarial profession, and we've already begun to lay that groundwork by working with external organizations and exploring the actuarial implications of the various policy proposals being discussed.

The HPC, and the Academy in general, will need to continue to balance the short term with the long term—keeping its feet planted in the present, but its eyes looking to the future. With the help of our current (and future!) volunteers, a dedicated staff, and leaders with a promising vision for the organization and the profession, the task may be just a little bit easier.

Health News

CMS Expects Health Spending To Grow

WHEN THE FINAL NUMBERS for 2013 national health spending are tallied, the Centers for Medicare and Medicaid Services (CMS) expect to find that spending growth remained historically slow. But that won't stay the case for future years.

That's the conclusion CMS actuaries shared with Academy members in an Oct. 16 webinar.

Christian Wolfe and Andrew Madison, actuaries with the CMS Office of the Actuary, joined Academy representatives to break down the results of the CMS study, *National Health Expenditure Projections, 2013–23: Faster Growth Expected With Expanded Coverage And Improving Economy*, published in the journal *Health Affairs*.

Health spending , Wolfe said, "remained slow, at 3.6 percent for 2013," marking "the fourth consecutive year of slow growth. But the combined effect of Affordable Care Act (ACA) coverage expansions, faster economic growth, and population aging are expected to contribute to growth in 2014 and beyond."

The reasons for the growth, Madison said, included measures that depressed spending in 2013. "Medicare had low projected growth," he explains, "partly due to sequestration," the measure that forced a budget cut across all federal departments as part of negotiations over the nation's debt ceiling that year.

CMS projects that national health expenditure will hit 5.6 percent in 2014, grow to over 6 percent in 2015, and remain at that level through 2023. The report predicts that health care spending measured as a percentage of gross domestic product will likewise grow, rising from 17.2 percent in 2012 to 19.3 percent by 2023.

In response to a member question, Wolfe cautioned that the study was "developed in advance of a lot of the data, and certainly the news stories, on Sovaldi and other Hepatitis C drugs." Modeling is "under way to try to track and project the impact" of those treatments.

HEALTH BRIEFS

- **Tim Deno**, vice president and valuation actuary at WellPoint, Inc. in Indianapolis, is now chairperson of the Health Solvency Work Group.
- **Bradley Dirks**, actuary at Daraja Plan Management in Gilbert, Ariz., has joined the Health Care Costs Work Group.

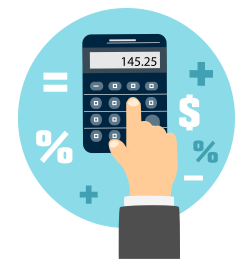
Life News

PBR Strategy Subgroup Notes Concerns on AG48

THE ACADEMY'S Principle-Based Reserve (PBR) Strategy Subgroup sent a comment letter Oct. 2 to the Life Actuarial Task Force (LATF) of the National Association of Insurance Commissioners regarding an updated version of the Actuarial Guideline 48 exposure draft.

The subgroup wrote that it was "pleased to see" that LATF had proposed changes to the treatment of third-party reinsurance, but expressed concern with the specific approach used. The letter concluded, "If the proposed approach is taken for expediency, we strongly recommend that the issue be revisited once PBR becomes effective."

New Practice Note Addresses PGAAP



THE LIFE FINANCIAL REPORTING COMMITTEE has released a new practice note, *Treatment of VOBA, Goodwill, and Other Intangible Assets under PGAAP*.

The practice note describes common practices used by actuaries to calculate value of business acquired (VOBA), goodwill, and other intangible assets under the purchase method of accounting of generally accepted accounting principles (PGAAP).

LIFE BRIEFS

- **Thomas Berry**, chief actuary at Crown Global Insurance Group in Wilmington, Del., is now chairperson of the Nonforfeiture Modernization Work Group.
- **Alice Fontaine**, president at Fontaine Consulting LLC in Cedar Park, Texas, is now chairperson of the AG 33 Non-Elective Incidence Task Force.
- **Karen Rudolph**, principal and consulting actuary at Milliman Inc. in Omaha, Neb., and **Anthony Dardis**, head of U.S. insurance at Barrie & Hibbert in New York, have joined the Life Valuation Subcommittee.
- **Linda Durman**, second vice president, product management at Sammons Financial Group in West Des Moines, Iowa, has joined the Annuity Reserves Work Group.
- **Franklin Clapper**, consulting actuary at Huggins Actuarial Services Inc. in Media, Pa., has joined the Life Reinsurance Work Group.
- **John Froehle**, consulting actuary at Spare Brain Actuarial in Plymouth, Minn., has joined the Annuity Reserves Work Group and the VM-22 Subgroup.

Pension News

Issue Brief: Social Security Trustees Report Shows Little Improvement

"CONGRESS SHOULD ACT SOON to improve the long-term financial outlook of Social Security. Congress must act no later than mid-2016 to pay full scheduled disability benefits." That's the conclusion of a new Academy issue brief examining the 2014 Social Security Trustees Report.

The report notes that the date at which the combined Social Security trust funds will be depleted remains unchanged from the 2013 report. "Trust fund asset reserves are projected to deplete during 2033, and if changes are not implemented by that date, only about 75% of scheduled benefits would be payable thereafter."

The most immediate problem the program faces is its Disability Insurance (DI) trust fund. "The DI trust fund ratio is projected to drop quickly from 62 percent today to zero during 2016." The Old-Age and Survivors Insurance (OASI) does not face as severe a short-term discrepancy. "The OASI trust fund ratio is expected to drop from 373 percent to 232 percent" within 10 years.

The primary driver behind challenges to the program's solvency is a demographic trend toward an older population. This can be separated into "macro-aging," the shift in the average age of the population over time caused by a decrease in birth rates that began in the 1960s, and "micro-aging," the continuous, long-term increase in life expectancies that makes each individual likely to live longer in each succeeding generation. Micro-aging presents a particular challenge to Social Security, as beneficiaries are likely to be receiving benefits for ever-longer retirement periods.

A policy solution to the problem will need to address both trends.

In the short term, the brief says, "The imminent rapid decline of the Social Security disability trust fund in 2016 must promptly be addressed, and overall Social Security program solvency should be considered in terms of the stricter requirements of sustainable solvency."

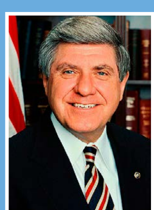
Earn up to 12.2 continuing education (CE) credits, including 1.5 professionalism CE credits

American Academy of Actuaries Annual Meeting and Public Policy Forum

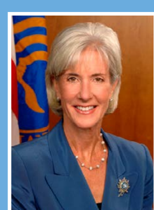
Nov. 13–14, 2014, Hyatt Regency Washington on Capitol Hill

Right after the fall congressional elections, learn about breaking public policy and professionalism developments that affect the U.S. actuarial profession at this 1½-day program of cross-practice and practice-specific sessions.

Confirmed Speakers Include

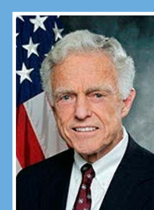


Ben Nelson
Former U.S. Senator; Chief Executive Officer, National Association of Insurance Commissioners



Kathleen Sebelius
Former Secretary of the U.S. Department of Health and Human Services

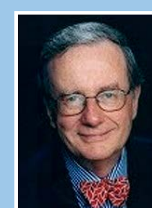
Nora Super
Executive Director of the 2015 White House Conference on Aging



Roy Woodall
Member, Financial Stability Oversight Council

Others invited to speak include representatives from the White House, Congress, federal agencies, state insurance departments, and the actuarial profession.

Nov. 13 Dinner Entertainment



Mark Russell
Washington Icon and Political Satirist/Pianist

Long before Jon Stewart and Stephen Colbert, there was Mark Russell, daring to joke and sing of the often-absurd political process. He plays off the day's headlines, performing stand-up comedy while accompanying himself on the piano.

Dinner-Only Ticket: $80

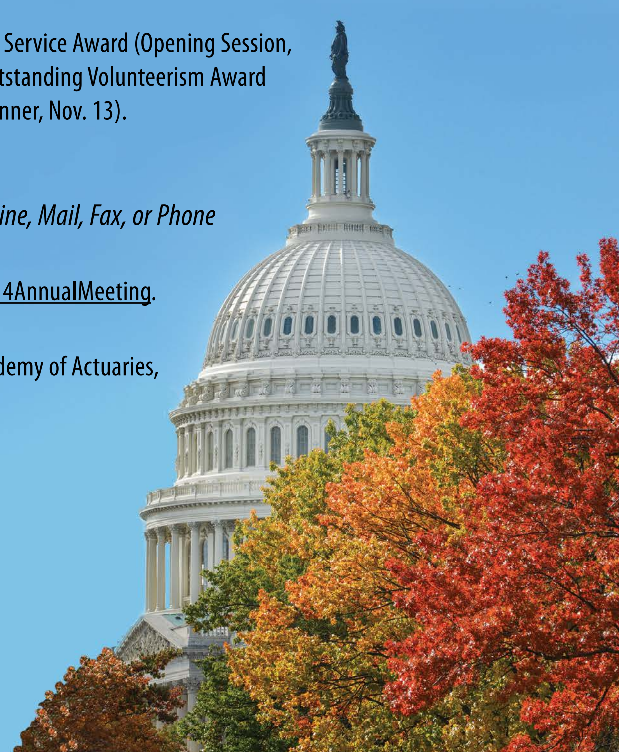
Celebrate Award Winners

Join us in honoring the following award winners: Stephen Kellison, Jarvis Farley Service Award (Opening Session, Nov. 13); David Neve, Donna Novak, Robert J. Rietz, and Stephen Strommen, Outstanding Volunteerism Award (Lunch, Nov. 13); and Ronald V. Gresch, Robert J. Myers Public Service Award (Dinner, Nov. 13).

Registration

Easy Registration Options for Members, Nonmembers, and Regulators – Online, Mail, Fax, or Phone

- Two-day, single-day, and Nov. 13 dinner-only tickets are available.
- Register online or download a printable form at http://www.actuary.org/2014AnnualMeeting.
- Fax printed registrations to 202-872-1948, attn: Denise Winston
- Mail to: 2014 Academy Annual Meeting, attn: Denise Winston, American Academy of Actuaries, 1850 M Street NW, Suite 300, Washington, DC 20036.
- Call 202-223-8196 to speak with Denise Winston.



American Academy *of* Actuaries

Objective. Independent. Effective.™

Committee Comments on Macro Hedging

THE FINANCIAL REPORTING COMMITTEE sent comments to the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board on the IASB's *Accounting for Dynamic Risk Management: a Portfolio Revaluation Approach to Macro Hedging* discussion paper.

The committee wrote to "encourage the development of the portfolio revaluation approach so that it can be applied to hedged risks and mitigate non-economic accounting mismatches, increasing the relevance and representational faithfulness of accounting information." However, it cautioned, "The approach should not be limited to bank risks but rather encompass other hedged risks, including risks within insurance contracts."

Comments Wanted on GAAP Exposure Draft

THE PROFITS Followed By Losses Subgroup released an exposure draft of the practice note, "GAAP Accounting for Profits Followed by Losses in Long-Duration Contracts." The document is intended as a resource for actuaries who prepare, review, or comment on generally accepted accounting principles (GAAP) for profits followed by losses in long-duration contracts.

Comments on the note are due by Nov. 10.

Principles for Developing Group Solvency and Capital Standards

THE SOLVENCY COMMITTEE submitted comments to the National Conference of Insurance Legislators on key priorities and principles that should be considered when developing insurance group solvency and capital standards.

The committee noted that "Actuaries have worked for decades with insurance and other financial sector regulators to develop prudent rules addressing insurer solvency, including capital requirements. As U.S. legislators and regulators continue to discuss and develop insurance group capital and solvency standards, the American Academy of Actuaries offers its support in engaging and shaping this challenging area of public policy."

Among the principles it recommended:

- A group solvency regime should be clear regarding its regulatory purpose and goals.
- Any metrics, information or other output of a group solvency standard should be useful to all relevant parties.
- A group solvency standard should be compatible across accounting regimes, given the political uncertainties in achieving uniform standards.
- It must be demonstrated that the capital held is accessible, including in times of stress, to the entity facing the risk for which the capital is required.

CASUALTY NEWS

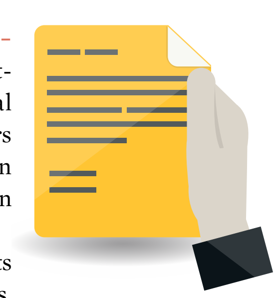
Actuaries Climate Index Presented to NAIC

ACADEMY VICE PRESIDENT OF CASUALTY Mike Angelina presented "Implications for Increasing Catastrophe Volatility on Insurers and Consumers" on Oct. 7 at the Center for Insurance Policy and Research Symposium hosted by the National Association of Insurance Commissioners (NAIC).

The presentation provided a progress update on the development of the Actuaries Climate Index (ACI) and Actuaries Climate Risk Index (ACRI). Currently under development, the ACI will be an internet-based tool for actuaries, policymakers, and other interested parties to monitor the impacts of climate change. The ACRI will be a risk quantifier intended to be especially useful to the insurance industry.

Angelina briefed attendees on the progress toward developing the tools, their intended functions, and how they might prove useful to NAIC members.

Committee Supports Reinsurance Proposal



THE P/C RISK-BASED CAPITAL COMMITTEE submitted comments to the National Association of Insurance Commissioners (NAIC) on the Reinsurance Association of America's (RAA) updated proposal on reinsurance credit risk factors.

The committee wrote to reiterate its support for the RAA's recommendations, calling them "a significant advance in the determination of RBC requirements because the revised R3 loads will better reflect the actual credit risk of reinsurers." However, the committee expressed concern that "the RAA's recent revisions do not address the issue of excessive use of reinsurance."

Remembering Brad Smith

AS MANY OF YOU KNOW, Brad Smith died on Oct. 12 while playing tennis. Chairman of Milliman and a very recent president of the Society of Actuaries (SOA), he is credited with setting the SOA on its current path. Our executive director, Mary Downs, attended his memorial service in Dallas on Oct. 18. *Actuarial Update* sat down with Downs at her request to mark the significance of Mr. Smith's passing and the legacy he leaves behind for the actuarial profession.

AU: First, Mary, why did you go?

MD: I wanted to pay my respects to him and his family. I liked the man. He was, as everyone has said, larger than life—funny, smart, with a huge vision and ideas and enormous confidence in his own potential and those he led. He has a beautiful family, and he was too young to leave them. The Academy leadership—President Tom Terry, President-Elect Mary Miller and penultimate president Cecil Bykerk—felt it important to honor his memory with an official representative and to convey our heartfelt sympathy to his family, friends, and colleagues. I readily volunteered.

AU: How was the service?

MD: It was a lovely tribute to Brad. It really was a celebration of his life. His daughter Emily gave a reflection, as did Clark Slipher, a Milliman colleague. They were both funny and poignant. His daughter was very eloquent. He would have been very proud of her. She painted a personal portrait of him that I think everyone there recognized as the essence of Brad. As she said, he left nothing on the table. He lived as he wanted to, and he died doing something he loved—winning. Clark, too, was very moving in his description of Brad's long service at and to Milliman and his professional persona, although I thought that both he and Emily saw the whole man. The service recalled for me the moving tributes to Dan McCarthy, another larger-than-life chairman of Milliman who was taken from us too soon. Dan was a former president of the Academy and posthumous recipient of the Jarvis Farley Service Award. Both Brad and Dan left behind powerful legacies for their profession and their firm.

AU: What struck you most about the tributes from Emily and Clark?

MD: Well, with Emily, it was her insight into who he really was, knowing that he was strong and tirelessly competitive. Her faith and trust in him was evident, and her confidence that her faith and trust were totally reciprocated by him was very poignant. Clark was self-deprecating, very appreciative of Brad and complimentary of Emily, noting that she, like Brad, was a formidable speaker to follow on a program.

AU: Any surprises?

MD: Emily shared that in collecting her thoughts for the reflection, she spent time sitting in her Dad's office, and found a fact sheet he had printed out from, she surmised, a Google search on "How to Run for President" (of the U.S.). Everyone laughed knowingly with her about Brad's retirement plans with that.

AU: How do you think his passing will affect the actuarial profession?

MD: That's hard to answer. But, our leadership has some thoughts about that that we share in a separate conversation in this issue [See Page 1].

AU: What do you think is Brad's legacy?

MD: He changed the course of many projects, professional and personal to him. He always made a difference and he wanted to make a difference. Regardless of the differences in opinion on the directions he set, he was a doer, a man of great passion with the ability to inspire many others. He left behind a wonderful wife and daughter, and all those who knew him will be sharing memories and anecdotes about him for many years to come.

Professionalism News

Passwater Steps Up to Chair Committee on Qualifications

THE COMMITTEE ON QUALIFICATIONS (COQ), home of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (USQS), has a new chairperson. Keith Passwater, vice president of Wellpoint Inc. in Indianapolis, has been appointed to the position. Passwater has served as a member of the committee for several years. "I am honored to serve the Academy, as well as my fellow actuaries," said Passwater. "I have great respect for the actuaries who established the foundation of our profession, upon which the COQ continues to build."

Outgoing COQ Chairperson John Morris will remain an active committee member. Academy President Tom Terry thanked Morris "for his leadership on this important committee and for all he has done to help guide the committee's work that has been so central to maintaining and promoting our qualifications to the U.S. profession, to the public, and to the regulatory community."

Terry added, "I want to congratulate and thank Keith Passwater for accepting my appointment to be the new committee chairperson." The work of the COQ, he said, "is central to maintaining and promoting the professional standing of actuaries in the U.S."

The USQS apply to all actuaries who issue statements of actuarial opinion (SAOs) in the United States. The COQ is a vital and recognized resource for the actuarial profession, serving the actuarial community not only by answering individual questions about qualifications, but also by educating the actuarial community at seminars and other actuarial events. Continuing education requirements included in the USQS also apply to all actuaries who issue SAOs in the United States. (An infographic available on the Academy website helps answer the question "Which CE requirements apply to me?")

As part of its mandate, the COQ can propose new qualification standards. The National Association of Insurance Commissioners (NAIC) Life Actuarial Task Force last year asked the COQ to provide advice on whether new qualification standards should be required for actuaries working in the area of principle-based reserves. The committee will provide input to the task force at NAIC's fall meeting in November.

Actuarial Update

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NOTICE OF PUBLIC DISCIPLINE

The following was posted to the Academy's Public Discipline page on Oct. 17, 2014

The American Academy of Actuaries ("Academy"), acting in accordance with its Bylaws, has reviewed the findings from the Actuarial Board for Counseling and Discipline ("ABCD") and a decision by a Disciplinary Panel of the Joint Discipline Council regarding Theodore F. Andersen, MAAA, MSPA, EA. The Academy hereby publicly reprimands Mr. Andersen for materially failing to comply with Precepts 1 and 12 of the Code of Professional Conduct.

Mr. Andersen materially violated Precept 1 of the Code of Professional Conduct by failing to perform professional services with skill and care when he advised his client to transfer assets from a defined benefit plan to a profit sharing plan. This transfer violated the terms of the plan and the Internal Revenue Code and associated regulations. It is fundamental to tax-qualified defined benefit plans that a participant's interest may be available only if the employee (a) terminates employment; (b) attains the earlier of the Normal Retirement Age under the plan or age 62; (c) becomes disabled; (d) dies; or (e) the plan terminates. Mr. Andersen confirmed that none of these events occurred at the time of the transfer. Mr. Andersen advised his client to transfer the assets because he thought the plan would be terminated. There is nothing in the law that would allow a "transfer" of assets and liabilities from a defined benefit plan to a defined contribution plan. Also, nothing in the law or in the provisions of the plan would allow a "direct rollover" to occur in anticipation of the plan's termination.

Mr. Andersen also failed to perform professional services with skill and care when he knowingly or negligently certified material information that was false in a 2010 defined benefit plan valuation report, a 2011 defined benefit plan valuation report, a 2010 Schedule SB attached to an IRS Form 5500, and a 2011 Schedule SB attached to an IRS Form 5500.

Mr. Andersen materially violated Precept 12 when he wrongfully made use of the membership designation of the Academy for seven years. Mr. Andersen stopped paying his membership dues to the Academy in 2006. Consequently, Mr. Andersen was removed from the Academy's membership rolls in 2006. Despite losing his membership status, Mr. Andersen continued to represent himself as an Academy member by using the MAAA designation after his name on his website and in other contexts. After this was brought to Mr. Andersen's attention by the ABCD, he applied for reinstatement and was reinstated by the Academy on Jan. 9, 2014. Mr. Andersen's wrongful use occurred because of a careless disregard for administrative details and inattention to membership responsibilities.

Based upon the foregoing, Mr. Andersen is publicly reprimanded.

For more information, please contact Keith Jones, general counsel and director of professionalism for the American Academy of Actuaries, at (202) 785-7885.