



*Spring Meeting 2005*

# Expanding Professional Horizons

**J**OHN ADAMS SAID ALL GREAT CHANGE WAS IRKSOME to the human mind. He was referring to the American Revolution, but actuaries can be forgiven for feeling unsettled as they grapple with the continuing revolution in the insurance, financial services, and employee benefits industries.

But for the more than 200 actuaries who attended the

Academy's 2005 Spring Meeting, May 2-3 in Washington, negotiating the new financial world just got a little easier. Each of the meeting's 32 sessions offered solid information and thought-provoking analysis on what the profession is doing (and what it needs to be doing) to stay on top of the game.

"After decades of being exclusivists, you need to consider the larger tent. Not the big tent, but larger," said Rod Lester, head of the Contractual Savings and Insurance Practice, Operations and Policy Department at the World Bank. A member of both the British Institute of Actuaries and the Institute of Actuaries of Australia, Lester told attendees at the meeting's opening breakfast that if the actuarial profession doesn't broaden its educational standards to include more macroeconomic knowledge, it risks becoming marginalized.

Speaking at a later session on enterprise risk management (ERM), James Rech, chairperson of the Academy's ERM Joint Task Force, echoed those thoughts. "As actuaries, we like a quantitative solution to a problem. Often the CEOs want a qualitative solution," said Rech. "We need to broaden our view to see the qualitative aspects."



Treasury Secretary John Snow speaking at the Spring Meeting

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**Spring Meeting 2005**

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**C-3 Phase 2 Seminar**

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# Academy Testifies on Pension Reform

**A**T AN APRIL 26 Senate subcommittee hearing on the financial situation of the Pension Benefit Guaranty Corp. (PBGC) and pension funding reform, there was consensus that the current funding rules need to be changed.

"Under the status quo, we have seen an exodus from the system," PBGC Executive Director Bradley Belt told members of the Health, Education, Labor, and Pensions



Ron Gebhardtbauer, right, and the PBGC's Bradley Belt confer with Sen. Barbara Mikulski before the hearing.

subcommittee. "Maintaining the status quo will not save the system."

Just how to change the system

See **ACADEMY TESTIFIES**, Page 7

Actuarial UPDATE

## JUNE

- 1 Academy Materiality Task Force meeting, Washington
- 2 Academy Life Financial Reporting Committee meeting, New York
- 2-3 ASB meeting, Washington
- 6-7 CAS seminar on reinsurance, Hamilton, Bermuda
- 8 Academy Life Financial Reporting Committee meeting, Boston
- 9-10 ASPPA Northeast Area Benefits Conference, Natick, Mass.
- 9-10 NAIC Life and Health Actuarial Task Force meeting, Boston
- 11-14 NAIC summer meeting, Boston
- 13-16 IAA council and committee meeting, Rome
- 14 Academy COPLFR meeting, New York
- 15-17 SOA spring meeting (health, pension), New Orleans
- 16 Joint Academy Health Practice Council/SOA Health Section meeting, New Orleans
- 17 ASB Pension Committee meeting, Washington
- 20 Academy Capitol Hill briefing on retirement
- 23 CIA professionalism workshop, Toronto
- 23 Academy Financial Reporting Committee meets with SEC and PCAOB
- 27 Academy Council on Professionalism meeting, New York
- 27-28 CIA annual meeting, St. John's, Newfoundland, Canada

## JULY

- 6-8 International Congress on Insurance: Mathematics and Economics, Quebec
- 7-10 NCOIL summer meeting, Newport, R.I.
- 14-15 Pension funding and disclosure symposium (Academy, CCA, SOA), Washington
- 14-16 North American Actuarial Council meeting, Niagara on the Lake, Canada
- 17 Academy Pension Practice Council meeting, Montreal
- 18 Academy Pension Committee meeting, Montreal
- 24-27 ASPPA summer conference, San Diego

## AUGUST

- 3 Academy Executive Committee meeting, Washington
- 11-13 Actuarial Research Conference (Academy, ASPPA, CIA, CAS, CONAC, SOA), Mexico City

## SEPTEMBER

- 1-2 ASB meeting, Washington
- 5-7 IAA ASTIN colloquium, Zurich, Switzerland
- 7-10 IAA AFR colloquium, Zurich, Switzerland
- 10-13 NAIC fall meeting, New Orleans
- 12-13 Casualty loss reserve seminar (Academy, CAS, CCA), Boston
- 12-13 ASPPA Central and Mountain States Benefits Conference, Denver
- 15 Academy COPLFR meeting, Boston

### WEB INTERFACE

Links to documents underlined in blue are included in the online version of this issue at [www.actuary.org/update/index.htm](http://www.actuary.org/update/index.htm).

# Academy NEWS Briefs

## Actuarial Standards Board Action

**T**HE ACTUARIAL STANDARDS BOARD (ASB) recently approved a second exposure draft of a proposed revision of ASOP No. 4, now titled *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The second exposure draft contains a number of changes made in response to comment letters. In addition, the ASB is concurrently exposing limited revisions of ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, and ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*. This is intended to clarify that the proposed revision of ASOP No. 4 would take precedence over ASOP Nos. 27 and 35 in case of a conflict among them. The comment deadline is Oct. 31.

The ASB also approved an exposure draft of a proposed revision of ASOP No. 15, now titled *Dividends for Individual Participating Life Insurance, Annuities, Disability Insurance, and Long-Term Care Insurance*. The proposed revision applies to actuaries performing professional services in connection with the establishment or modification of the dividend framework and the determination and illustration of dividends for individual participating life insurance, annuities, disability insurance, and long-term care insurance, including any attached participating riders and agreements. The comment deadline is Sept. 30.

Each exposure draft is enclosed with this issue of the *Update* and is available online at <http://www.actuarialstandardsboard.org>. ▲

**Media Savvy** Academy President-elect **Peter Perkins** received media training on May 5 as part of the Academy's official spokesperson program. Joining Perkins in the day-long training were **Robert Beuerlein**, president-elect of the Society of Actuaries (SOA) and senior vice president and chief actuary for AIG American General in Houston, and **Cheryl Krueger**, managing director and chief actuary for the SOA in Schaumburg, Ill. So far, 31 actuaries have received media training through the Academy program.

### CASUALTY NEWS



The Academy has formed a Risk Transfer Subcommittee of the Committee on Property and Liability Financial Reporting (COPLFR) to assist the NAIC's Casualty Actuarial Task Force in its efforts to study finite risk reinsurance. COPLFR Chair **Nancy Watkins**, a principal and consulting actuary with Miliman in San Francisco, and

**Marc Oberholtzer**, director at PricewaterhouseCoopers LLP in Philadelphia, will co-chair the new subcommittee. Other members are **Ralph Blanchard**, second vice president and actuary for St. Paul Travelers in Hartford, Conn.; **Jeffrey Davis**, chief actuary and senior vice president for American Re Insurance Co. in Princeton, N.J.; **Holmes Gwynn**, senior actuary with the Texas Department of Insurance in Austin; **Anne Kelly**, chief casualty actuary for the New York State Insurance Department in New York; **David Murray**, senior vice president of CNA in Chicago; **Marvin Pestcoe**, president for Partner Re New Solutions Inc. in Greenwich, Conn.; **Thomas Wallace**, vice president and actuary for GE Insurance Solutions in Barrington, Ill.; and **Scott Weinstein**, actuarial senior manager for KPMG LLP in Atlanta.

► The Medical Malpractice Subcommittee in April published a [paper](#), *Important Considerations When Analyzing Medical Malpractice Insurance*

*Closed-Claim Databases*, for use by both actuaries and non-actuaries.

### HEALTH NEWS



The Disease Management Work Group has published a new

[issue brief](#), *Disease Management Programs: What's the Cost?*, that provides background on financially evaluating such programs and discusses some of the analytical challenges involved.

► The Health Practice Council still welcomes comments on a [draft practice note](#) about statutory reserves for disability income insurance. The comment deadline is June 24.

► **John Sardelis**, an assistant professor at St. Joseph's College in Patchogue, N.Y., has joined the Medicare Steering Committee and Health Care Quality Work Group. Also joining the Health Care Quality Work Group is **Curtis Robbins**, an actuary with American Community Mutual Insurance in Livonia, Mich.

## LIFE NEWS



The Academy's second C-3 Phase 2 seminar, held May 4-5

in conjunction with the 2005 Spring Meeting, attracted 84 attendees.

- ▶ **Art Panighetti**, a vice president at Northwestern Mutual in Milwaukee, has joined the Life Practice Council.
- ▶ Joining the Academy's Standard Valuation Law 2 Work Group are **Charles Chacosky**, principal consultant with PricewaterhouseCoopers LLP in Philadelphia, and **David Rockwell**, a manager with KPMG LLP in Chicago.
- ▶ **Bruce Bohlman**, an actuary with Actuarial Resources Corp. in Overland Park, Kan., has joined the Universal Life Work Group.

## PENSION NEWS



The Pension Committee sent two letters to the IRS in May. One expressed concern over applying parts of **Circular 230** to pension actuaries' work. The other discussed communications under **relative value** regulations.

- ▶ **Judy Stromback**, a principal with Deloitte Consulting LLP in Minneapolis, has joined the Pension Committee.
- ▶ Joining the Stock Options Task Force are **Valentina Isakina**, management consultant for McKinsey & Co. in New York, and **Stacy Powell**, a consulting actuary with Chicago Consulting Actuaries in Chicago.
- ▶ **Robert Rietz**, a director with Deloitte Consulting LLP in Detroit, has joined the Pension Accounting Committee.
- ▶ **Robert May**, a principal with Rudd & Wisdom Consulting Actuaries in Austin, Texas, has joined the Public Plans Task Force.

## IN THE NEWS

The Reuters wire reported on the May 3 speech by U.S. Treasury Secretary John Snow at the Academy's Spring Meeting.

▶ A May 11 Associated Press story on United Airlines jettisoning its pension obligations and the future of defined benefit pensions in this country quoted **Ron Gebhardtsbauer**, the Academy's senior pension fellow. The story ran in a number of papers, including the *Seattle Post-Intelligencer*, the *Detroit News*, *Newsday*, the *New Jersey Star Ledger*, and the *Arizona Republic*. Gebhardtsbauer also discussed the topic in interviews with BBC radio on May 13 and MSNBC News on May 11, and was quoted earlier in the month in an article on a Senate pension bill that would allow airlines to stretch pension funding obligations over 25 years that ran on MSNBC News on May 2 and in the May 1 *Atlanta Business Chronicle*. Gebhardtsbauer was also quoted on pension reform in the May 16 issue of *Business Week*; on the looming pension crisis in the April 18 issue of *Pensions & Investments*, and on indexing Social Security benefits in the May 3 issue of the *Detroit Free Press*.

▶ A column that ran in the April 28 issue of *The Nation* quoted the Academy's 2003 **letter** to Social Security's trustees criticizing the use of "infinite horizon" estimates for unfunded liabilities.

▶ A May 9 article in *Business Insurance* on the initiative by the Casualty Actuarial Society (CAS) and the Society of Actuaries (SOA) to promote enterprise risk management among actuaries quoted CAS President **Stephen D'Arcy**, a member of the Academy's Board of Directors and a finance professor

at the University of Illinois at Urbana-Champaign, and **Max Rudolph**, a member of the Academy's Life Capital Adequacy Subcommittee, head of the SOA's task force for ERM and its board of governors, and vice president and actuary for Mutual of Omaha in Omaha, Neb.

▶ An April 21 *National Underwriter* story on a more flexible reserving system for life insurance products quoted **Dave Neve**, chairperson of the Academy's Universal Life Working Group and second vice president for Principal Financial Group in Des Moines, Iowa; **Bill Carmello**, deputy chief life actuary for the New York State Insurance Department in Albany; **Frank Dino**, chief actuary for the Florida Department of Financial Services in Tallahassee; and **William Koenig**, senior vice president and chief actuary for Northwestern Mutual Life Insurance Co. in Milwaukee.

▶ The Academy's 2001 **monograph** *Overview of Asbestos Issues and Trends* was referenced in a feature on medical treatments for asbestosis and mesothelioma that ran in the Anniston (Ala.) *Star* and several other newspapers.

## ON THE MOVE

Former Academy President **Larry Johansen** has been named securities investment officer for the New York State Teachers' Retirement System in Albany. He was formerly chief actuary. **Richard Young** has been chosen to succeed Johansen as chief actuary. He was formerly the manager, research and valuation, for the system.

▶ The PMA Insurance Group has promoted **Stephen Warfel** to senior vice president and chief actuary. He was previously vice president and chief actuary.

▶ **Camilo Mohipp** is vice president and global project manager for XL Insurance in London. He was formerly associate actuary with Liberty International Underwriters in Toronto.

## IN MEMORIAM

**Mark Beilke**, director of employee benefits research for Milliman in Vienna, Va., died suddenly on May 1 at the age of 50. Beilke was chairperson of the Pension Accounting Committee and a member of the Pension Practice Council and the Risk Management and Financial Reporting Committee.

## Farley Award Nominations

The Academy is looking for nominations for the 2005 Jarvis Farley Service Award, given annually to an actuary who has provided sustained exemplary volunteer service to the profession.

With the exception of current Academy officers and past presidents, all Academy members are eligible for the award, as are directors and members of the Actuarial Standards Board and the Actuarial Board for Counseling and Discipline.

E-mail your nominations by July 15 to the Academy at [awards@actuary.org](mailto:awards@actuary.org). Include the name of the nominee, a brief explanation of why his or her volunteer service is exemplary, and your name and telephone number.



From left to right, Paul Boyle, Bob Wilcox, and Christopher Daykin enjoy a moment at the Spring Meeting luncheon; congressional staffers Stacey Dion and Judy Miller discuss pension funding reform; Rod Lester of the World Bank talks about the future of the profession.

Happily, the profession also came in for some accolades. In his keynote address on the financial problems facing Social Security and President Bush's proposals for dealing with them, Treasury Secretary John Snow told the audience, "We depend on actuaries to explain the complexities of intergenerational mathematics. Your profession provides the analytical foundation for government policy, and we are indebted to you." (Snow is the highest-ranking federal government official ever to address an actuarial meeting.)

Professional ethics were in the forefront at the meeting's May

2 luncheon, when Paul Boyle, chief executive of the U.K. Financial Reporting Council, and Christopher Daykin, government actuary for the United Kingdom, discussed the Equitable Life scandal and the resulting investigation of the U.K. actuarial profession by Sir Derek Morris. And at the May 3 breakfast session, Donald Nicolaisen, chief accountant for the Securities and Exchange Commission (SEC), appended his review of the SEC's 2005 initiatives with cautionary words about professionalism from the perspective of the accounting profession.

"You need to challenge the underpinnings," Nicolaisen said. "I

### CASUALTY TRACK

IN THE OPENING CASUALTY SESSION, Richard Marcks of the Connecticut Insurance Department and Kris DeFrain, a staff actuary with the NAIC, previewed changes to requirements for signing reserve opinions along with possible future changes. Susan Pino, a principal with Deloitte & Touche, addressed how those changes have affected auditors and their relationship with actuaries.

Speaking at the session on medical liability issues, Bruce Wilson, government-relations director for the Physician Insurers Association of America, called California's 1975 Medical Injury Compensation Reform Act the "gold standard" by which all reform should be measured.

The big question in the session on the Terrorism Risk Insurance Act (TRIA) was what form TRIA will take after it sunsets Dec. 31. Dennis Fasking, chairperson of the Academy's Ex-

treme Events Committee, said there's little appetite in Congress to underwrite private companies with taxpayers' money. He urged a private/public partnership to guarantee the risk. Edward Collins, a lawyer with Allstate Insurance, outlined what such a partnership would look like.

Soft fraud was the focus in the session on predictive modeling for insurance compensation claims. Soft fraud, like fudging on claims, is far more widespread than fraud perpetrated by professional criminals, said Jan Lommele, vice chairperson of the Academy's Casualty Practice Council.

In the credit-scoring session, several regulators offered their perspective on its use in pricing automobile and homeowners' insurance. John Pedrick, chief actuary for the property/casualty division of the Ohio Department of Insurance, said his state

allows credit scoring in pricing only if it's used among other criteria. Pennsylvania takes a similar approach, said Chester Szczepanski, chief actuary in the Pennsylvania Insurance Department. The biggest issue, Szczepanski said, is overcoming the public perception of unfairness. Jesse Leary, a deputy assistant director with the Federal Trade Commission (FTC), reported on the FTC's continuing study of the possible discrimination effects of credit scoring, particularly in the mortgage market.

During the final session on the NAIC's Model Audit Rule (MAR), Doug Stolte, deputy commissioner of the Virginia Bureau of Insurance, said the intent is not to apply all provisions of the Sarbanes-Oxley Act to insurers but rather to apply only those aspects that improve upon current disclosures.



From the left, Donald Nicolaisen of the SEC talks about professionalism; Jose Siberon discusses trends in enterprise risk management; attendees pack into a concurrent session on the Medicare Modernization Act.

encourage your due diligence, your skeptical views, and your critical eyes fixed on the investor community and their needs.”

The meeting, held in the new Washington Convention Center, received rave reviews from attendees. “I was going around telling everyone what a great meeting it was. It really exceeded my expectations—and my experience at most actuarial meetings I’ve attended,” said Julia Philips, a regulatory actuary from Minnesota.

In addition to general sessions on global challenges facing the profession, actuarial communications, and the impact of

international actuarial practice guidelines on U.S. actuaries, the meeting featured concurrent sessions that showcased Academy work in the casualty, health, life, and pension practice areas (see below).

“The Spring Meeting is our opportunity to share with the profession the cutting-edge work that our volunteers are doing for every member of the profession,” said Academy President Bob Wilcox. And sharing is learning. Meeting attendees were able to earn up to 11 hours of continuing education credit and 6 1/2 hours of enrolled actuary credit. ▲

## LIFE TRACK

IN THE FIRST SESSION on nonforfeiture, Eric Carlson, co-chairperson of the Academy’s Life Products Committee, discussed Academy contributions in the development of the NAIC’s 2002 model annuity nonforfeiture law. Looking forward, Noel Abkemeier, chairperson of the Academy’s Nonforfeiture Improvement Work Group, then spoke about current Academy efforts to rethink the principles governing nonforfeiture regulation.

David Sandberg, vice chairperson of the Life Practice Council, and William Hines, a member of the Life Financial Reporting Committee, gave an overview of international accounting developments in the second session. Sandberg highlighted Phase 1 of the International Accounting Standards Board’s insurance contracts project and the impact of converging accounting regimes on U.S. actuaries, while Hines addressed Phase 2 of the insurance

contracts project and the International Actuarial Association’s joint research project with the American Council of Life Insurers on asset/liability measurement mismatch.

Errol Cramer, chairperson of the Life Financial Reporting Committee, and Darin Zimmerman, a committee member, outlined Academy work on generally accepted accounting principles (GAAP) in the third session

In the fourth session, Kory Olsen, chairperson of the Academy’s Life Valuation Subcommittee, reviewed recently completed practice notes on asset adequacy analysis, the Financial Accounting Standards Board Derivatives Implementation Issue No. 36, and the American Institute of Certified Public Accountants statement of position on GAAP, and previewed work on practice notes under development in the area of variable annuities.

Attendees at the fifth session heard an overview of Academy work on C-3 Phase 2 by Larry Gorski and Tom Campbell, chairperson and vice chairperson of the Academy’s Life Capital Adequacy Subcommittee. “While there is a significant Academy component [to C-3 Phase 2], there is also a regulatory component—the standard scenario,” Gorski said, explaining that 80 percent of the project was Academy work and 20 percent was the work of NAIC regulators involved in the project.

In the final session, Dave Sandberg, vice chairperson of the Life Practice Council, and Philip Barlow, assistant director for financial examinations for the D.C. Department of Insurance, Securities and Banking, faced off on whether a principles-based approach to insurance regulation is better than one relying on rules and formulas.



Spring Meeting attendees listen to Treasury Secretary John Snow.

## PENSION TRACK

AT THE FIRST SESSION, Stacey Dion of the House Education and the Workforce Committee and Judy Miller of the Senate Finance Committee joined Academy Senior Pension Fellow Ron Gebhardtbauer to discuss current pension funding reform measures under consideration on Capitol Hill. Both Dion and Miller indicated that legislation is expected as early as this summer.

Anna Rappaport, a member of the Retirement Security Principles Task Force, and Ken Kent, the Academy's vice president for pension issues, asked attendees at the second session to provide feedback on elements to be included as the Academy refines its principles for retirement security.

At the third session, Dave Gustafson, chief policy actuary at the Pension Benefit Guaranty Corp. (PBGC), discussed the challenges facing the PBGC.

In the fourth session, on Social Security reform, Social Security Chief Actuary Steve Goss walked the more than 50 attendees through the demographic challenges affecting the system, the assumptions used to determine its solvency, and potential proposals that would restore sustainable solvency to the system.

Kent Mason, a partner at David & Harman and a representative of the American Benefits Council, and Martin Pippins, technical guidance and quality assurance manager at the Internal

Revenue Service, discussed proposed phased retirement regulations at the fifth session, including the normal retirement age definition, the minimum age designation of 59 1/2 for distribution, and the definition of phased retirement based on reduction in hours worked.

The final session addressed an emerging area for actuarial practice—stock option valuation. Glenn Bowen, a member of the Academy's Stock Options Task Force, gave attendees some insight into the role actuaries can play in valuing stock options, an overview of the accounting involved, and the types of models that are being examined as applicable to the valuing of stock options.

## HEALTH TRACK

THE FIRST SESSION ON LONG-TERM financing of the Medicare program started with bad news—which only got worse: Medicare is going broke faster than Social Security, and fixing it will be twice as hard. Ed Husted reported on his work with the Medicare trustees' technical review panel and Cori Uccello, the Academy's senior health fellow, ran the discouraging numbers.

The emphasis shifted to everyday practice in the next session on actuarial equivalence certifications under the Medicare Modernization Act. Dale Yamamoto and Mark White provided a detailed primer on the actuarial certifications that retiree health plans will need if they seek a new federal subsidy for prescription benefits that they provide. Among the requirements: The cer-

tifying actuary must be an Academy member. Yamamoto chairs the Academy work group that is writing a related practice note.

In the third session, Robert Parke and Ian Duncan discussed evaluating the financial impact of disease management programs. Parke heads the Academy work group that recently published a related [issue brief](#) and is now working on a practice note. "This is clearly something that's going to be important for employers and large health plans as they struggle with large health costs," he said.

A session on expanding coverage options for the uninsured was led by Catherine Murphy-Barron, Steele Stewart, and Karen Bender. Their presentation included a review of the pros and

cons of coverage options, which range from Medicaid expansion to association health plans.

Brent Lee Greenwood and Dave Tuomala focused on recent research on consumer-driven health plans. These kinds of plans are expected to mushroom, said Tuomala: CDHP enrollment now represents about 2 percent of the total market but is expected to account for 24 percent of it by 2010.

Finally, William Weller and Julia Philips gave a wide-ranging overview of recent NAIC developments, including changes in NAIC models and accounting standards, and current NAIC-related Academy projects. On the horizon, the difficulty of helping citizens understand complex Medicare prescription drug options looms large.

# Tino Receives Myers Award

IN RECOGNITION OF HER many contributions as an actuary for the Internal Revenue Service, Paulette Tino received the Academy's prestigious Robert J. Myers Public Service Award at the 2005 Spring Meeting's Washington Luncheon.

Tino is widely respected in the pension actuarial community as the nation's foremost expert on the actuarial certification commonly known as the Form 5500 Schedule B. She has been a member of the Joint Board for the Enrollment of Actuaries for the past 25 years, serving frequently as board chairman. As a member of the Joint Board, Tino has been involved with all aspects of the education program for enrolled actuaries, working closely with the board's Advisory Committee on Examinations and with the Society of Actuaries and the American Society of Pension Professionals and Actuaries in the development and constant revision of enrolled actuary exams.

"Because of Paulette's diligence, young actuaries are taught the importance of quality and accuracy in the certification, report-

ing, and disclosure of pension plan solvency," said Academy President Bob Wilcox in presenting the award.

In her acceptance remarks, Tino said that public service has its own unique rewards. "I was at an Enrolled Actuaries meeting walking from one session to another. I saw a young man approaching me. Obviously he had been an enrolled actuary for a few years, still with vivid memories of the exam. He stopped at the minimum acceptable distance, looked at me, and said: 'Mrs. Tino. For years I have hated you!'" Tino paused half a beat, then continued with a broad smile, "This was, of course, followed by a very amicable conversation."

Although she was dumbfounded when she was told she would be receiving the Myers award—and wondered why she was chosen for the honor—Tino told luncheon attendees, "The answer has to be because of the pleasure I have had working closely with many of you, the actuaries, in my work at the IRS and at the Joint Board."

Tino, who is still working at the age of 81, came to the IRS after working for



many years as a consulting actuary in New York. A native of Paris, she was educated at the Sorbonne. Her life and work will be featured in the July/August issue of *Contingencies*.

Three prior recipients of the Myers award—Harry Ballantyne, Larry Gorski, and A. Haeworth Robertson—attended the luncheon presentation. Also in attendance was Robert J. Myers, former chief actuary for Social Security, for whom the award is named. ▲

## Academy Testifies, *Continued from Page 1*

brought less agreement.

Belt told senators that the administration's pension funding reform proposal would provide plan sponsors with incentives to make more than the minimum contribution to their pension plans, including larger tax deductions and lower variable premiums.

Ron Gebhardtshauer, the Academy's senior pension fellow, applauded elements of the administration's proposal, particularly the use of one funding rule and one amortization period to improve transparency and simplicity. "Flexibility is enhanced by the provision to increase the maximum deductible contribution. Solvency is improved by eliminating rules that currently allow sponsors of underfunded plans to avoid paying contributions and variable premiums," Gebhardtshauer told subcommittee members. But, he warned, the proposal could cause employers to freeze or terminate their plans because minimum required contributions could become too volatile and unpredictable. One remedy, Gebhardtshauer suggested, would be to

place a cap on the increase in the minimum contribution, which would reduce volatility and increase predictability for plan sponsors. Funding levels could be improved at the same time by shortening the amortization period.

Speaking on behalf of employer organizations such as the American Benefits Council and the ERISA Industry Committee, Sarah Bailey, senior vice president of the Timken Co., said that employers are concerned that while the administration's proposal for increased premiums will strengthen the PBGC, it would be better to use those funds as contributions to the pension plans.

Sen. Mike DeWine (R-Ohio) asked those who were testifying whether the administration's proposal could trigger a shift in private pension investment from equities to bonds as has happened in Great Britain. Belt said that the administration's proposal doesn't dictate a shift to bonds. He said that the proposal would require companies to improve transparency by adequately repre-

senting the embedded risks associated with investing in equities.

Speaking to the U.K. experience, Ian McFarlane, a market strategist for Medley Global Advisors, said that 60 percent to 70 percent of defined benefit plans in the United Kingdom are now closed to new entrants. While transparency was welcome, McFarlane said, volatility was exacerbated by the snapshot approach to accounting required by financial reporting standard (FRS) 17. "While FRS 17 was not the primary cause [of plan freezes], it certainly had an impact," McFarlane said.

Sen. Barbara Mikulski (D-Md.), ranking member of the subcommittee, summed up the need for legislative action, sooner rather than later, calling it necessary "prevention so there doesn't have to be intervention" on the part of a government or a taxpayer bailout of the PBGC.

Also speaking at the hearing was Alan Reuther, legislative director of the United Auto Workers.

—HEATHER JERBI



## Actuarial Update

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# ORDER NOW!

## C-3 Phase 2 RBC and Reserves Virtual Seminar

If you missed the Academy's second C-3 Phase 2 Seminar, held May 4-5, you now have the opportunity to see and hear all of the presentations on a specially prepared virtual seminar CD-ROM.

Major topic areas covered in the seminar include:

- Overview of changes since first seminar
- Calibration, scenario generation, use of integrated interest and return models
- Deterministic assumptions
- Practical aspects of compliance
- Transition to a principle-based system
- Incorporating hedging into projections

The C-3 Phase 2 virtual seminar CD-ROM contains all of the presentations from the nine speakers at the two-day seminar, conveniently packaged and attractively priced at only \$499.00 per copy. There is a 10 percent discount when ordering five or more copies!

Order your C-3 Phase 2 virtual seminar CD-ROM online at [www.conferencerecordings.com](http://www.conferencerecordings.com).



## Save the Date

### Oct. 10-11, 2005

**CELEBRATING THE ACADEMY'S 40<sup>TH</sup> ANNIVERSARY**, the 2005 Annual Meeting will be held Oct. 10-11 in Washington, D.C. Mark your calendars now for a salute to the Academy's volunteers! The meeting will feature practice-related and professionalism sessions eligible for CE credit, the installation of 2006 Academy President Peter Perkins, the election of new members to the Board of Directors, and the presentation of the 2005 Jarvis Farley Award.

## Last Year the Academy's Life and Health Qualifications Seminar

### SOLD OUT Early!

## This Year, Don't Miss Out—Register Early

### Should You Attend?

New FSAs (effective 2000 or later) may not meet all of the life- and health-specific qualification standard requirements to be able to issue Prescribed Statements of Actuarial Opinion. The L&H Seminar can solve that problem. Others can take this opportunity to earn significant PD and CE credit. See the enclosed flyer for more information on the seminar's content, credits, and faculty.

For more information and to [register](http://www.actuary.org) online, go to [www.actuary.org](http://www.actuary.org), or contact the Academy at 202-223-8196 or [winkel@actuary.org](mailto:winkel@actuary.org).



AMERICAN ACADEMY OF ACTUARIES

### Nov. 8-11, 2005

Alexandria, Virginia

### The Early Registration Deadline Is Aug. 12