NOVEMBER 2008

THE NEWSMONTHLY OF THE AMERICAN ACADEMY OF ACTUARIES

Actuarial UPDATE

NAIC Adopts Actuarial Guideline VACARVM

THE LIFE INSURANCE INDUSTRY FINALLY HAS a reserving guideline for variable annuities, as the National Association of Insurance Commissioners (NAIC) passed Actuarial Guideline VACARVM at the NAIC fall meeting Sept. 22-24 in National Harbor, Md.

First proposed to the NAIC by the Academy in 2003, the guideline is a principle-based reserve methodology for variable annuities with guarantees. It will become effective Dec. 31, 2009.

"The Academy has been working very hard to support the NAIC in developing these requirements. It's real exciting since this is the first principle-based reserve requirement that's been put in place," said Tom Campbell, Academy vice president for life issues, who has led the charge for the Academy on these efforts the past several years. "It will allow companies to better align the risks they're taking and the management of risks with the statutory reserves they're holding."

Since the Academy's Variable Annuity Reserve Work Group was formed in 2002, it has supported the NAIC's Life and Health Actuarial Task Force (LHATF) on this project. After submitting its **proposed guideline** in 2003, the group continued to work with LHATF to provide feedback on the changes made to the guideline as it evolved into the version that finally passed in September. The Academy has been working on the issue of group reserves for variable annuity guaranteed benefits since the late 1990s, when concerns about life insurers properly reserving for variable annuities surfaced as those products became more popular.

Tom Campbell discusses principle-based issues at the 2006 Academy spring meeting. Campbell has been heavily involved in working with the NAIC on VACARVM.

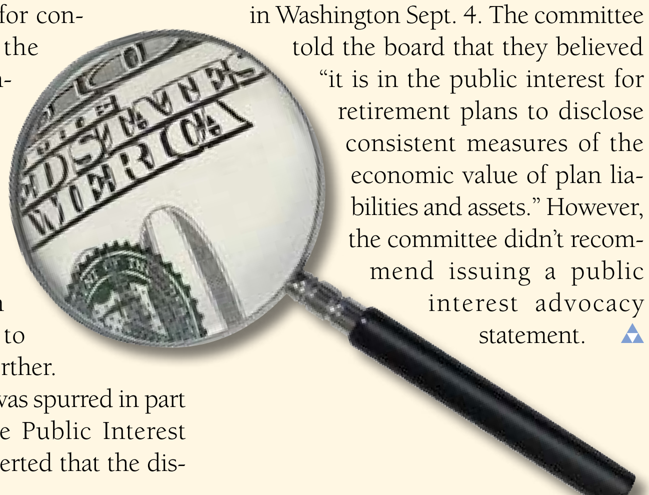
See **VACARVM**, Page 6

Inside

Academy Refers Public Plans Debate to ASB

THE ACADEMY'S BOARD OF DIRECTORS at its Oct. 7 meeting in Phoenix decided to ask the Actuarial Standards Board to develop standards for consistently measuring the economic value of pension plan assets and liabilities. The board decided not to make a public advocacy statement on the issue. However, it did appoint a Public Plan Practices Task Force to explore these issues further.

The ASB request was spurred in part by a **report** from the Public Interest Committee, which asserted that the disclosure of consistent measures is in the public interest. Much of the report was based on information obtained during the public forum the committee hosted in Washington Sept. 4. The committee told the board that they believed "it is in the public interest for retirement plans to disclose consistent measures of the economic value of plan liabilities and assets." However, the committee didn't recommend issuing a public interest advocacy statement.



Calendar

NOVEMBER

1-4 IAA meeting, Limassol, Cyprus

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

13-14 CIA general meeting, Toronto

16-19 CAS annual meeting, Seattle

19-23 NCOIL annual meeting, Duck Key, Fla.

DECEMBER

3-4 Academy Casualty Effective Loss Reserve Opinion Seminar, Baltimore

4 Webcast on Actuarial Standards of Practice (Academy, CCA)

5-8 NAIC winter meeting, Grapevine, Texas

8-9 ASB meeting, Washington

11 Academy Executive Committee meeting, Orlando, Fla.

JANUARY

15 Council of U.S. Presidents meeting, Tucson, Ariz.

16 Academy Board of Directors meeting, Tucson, Ariz.

22 Actuarial collaboration meeting, Chicago

FEBRUARY

19-20 NAAC meeting, Zacatecas, Mexico

26-March 1 NCOIL spring meeting, Washington

MARCH

14 -16 NAIC spring meeting, San Diego

APRIL

1 Enrolled Actuaries Meeting (Academy, CAA), Washington

7 Academy Executive Committee meeting, Washington

MAY

3-6 CAS spring meeting, New Orleans

20 Council of U.S. Presidents meeting, Washington

21 Academy Board of Directors meeting, Washington

JUNE

13-15 NAIC summer meeting, Minneapolis

JULY

9-12 NCOIL summer meeting, Philadelphia

23-26 NAAC meeting, Charlottetown, Prince Edward Island, Canada

AUGUST

5 Academy Executive Committee meeting, Minneapolis

WEB INTERFACE
Links to documents underlined in blue are included in the online version of this issue at **www.actuary.org/update/index.asp**

Academy NEWS Briefs

Members Approve Bylaw Changes

Academy members voted to approve two proposed changes to the bylaws on Sept. 16.

The first changed Article I – Membership by deleting the experience requirement for Academy membership and eliminating the redundancy created by the three-year experience requirement for making a statement of actuarial opinion that is contained in the revised Qualification Standards. The second change amended Article II – Finances and Contracts by deleting the specified formula for calculating dues waivers. It grants the board more discretion in determining when dues waivers are appropriate and allows the board to establish waivers by board vote.

The first amendment passed with 79 percent of the vote, while the second was passed with an 83 percent approval. In sum, 3,124 ballots were cast—3,028 electronically and 96 by mail.

In addition, Articles II, III, IX, X, XI, and XV were amended by the board vote in May 2008.

The complete amended bylaws are available at **www.actuary.org/yearbook/2008/bylaws.pdf**.

Academy, SOA Merge Directories

The Academy, in partnership with the Society of Actuaries (SOA), is making it easier for members who belong to both organizations to update their contact information through the Transparent Directory Update project.

Academy members who belong to the SOA will be able to update their Academy, SOA, and Actuarial Directory contact information through the members' section of the Academy website. Other Academy members will also be able to update their Academy and Actuarial Directory information through the Academy members' **section**.

The Academy believes this streamlined access through the Academy website will save members time, make it easier to update profile information, and offer Actuarial Directory users more accurate results.

Academy Audit

The Academy's Board of Directors has appointed the following board members to serve on the 2009 Audit Committee: **Rowen Bell**, chairperson; **Arthur Panighetti**; and **Darrell Knapp**. Audited financial reports and the committee's schedule for 2009 are on the Academy's website at **www.actuary.org/yearbook/audit.asp**.

IN THE NEWS

Contingencies Makes Headlines Worldwide

Continuing an election-year tradition that began in 2000, *Contingencies* magazine invited both presidential candidates to write articles addressing a major issue of interest to the actuarial community. This year's topic was health care reform, and the articles appeared in the September/October 2008 issue.

Shortly after publication, the words from the candidates were parsed, analyzed, and discussed by members of the media, campaign surrogates, and even the candidates themselves. Within weeks, *Contingencies* became a significant subject of debate on the campaign trails, and the press corps following the candidates was quick to report on the details. Soon after, *Contingencies* magazine flashed across television screens, was discussed on radio programs, and made headlines worldwide. Spurred by newswire items from the Associated Press, Reuters, and Agence France-Presse, among others, and reports on CNN and in the *New York Times* and the *Washington Post*, *Con-*

***Contingencies* was introduced to the nation during the Sept. 21 edition of ABC's "Good Morning America."**

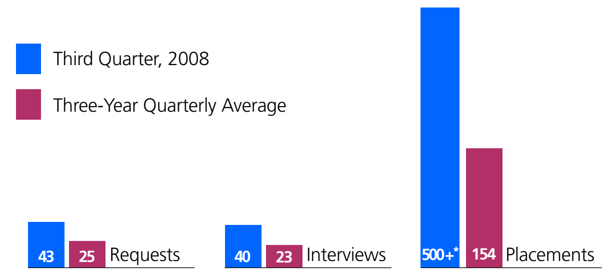
Joint Board Invites Applications

The two-year terms for the nine members on the Joint Board for the Enrollment of Actuaries' Advisory Committee on Actuarial Examination end Feb. 28, 2009. Though members can and may reapply, as many as three positions are expected to open up for actuaries interested in serving on the committee.

The Joint Board is now seeking applications from enrolled actuaries willing to volunteer substantial time and effort on behalf of the enrolled actuary community through service on the advisory committee. 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 the EA-2 examination (selection of assumptions, funding, and deductions in EA-2A; pension law in EA-2B). Members can also receive 18 hours of core continuing education for each full year of full participation with the committee.

To apply, send a letter describing your credentials and experience (mentioning any other professional committees on which you have served) to: Joint Board for the Enrollment of Actuaries, c/o Office of Professional Responsibility SE: OPR; Internal Revenue Service; 1111 Constitution Ave. NW, Room 7238; Washington, D.C. 20224. For more information, contact Executive Director Patrick McDonough at (202) 622-8225 or Carl Shalit, current chairperson of the committee, at (978) 745-9939. Application deadline is Dec. 15, 2008.

MEDIA RELATIONS ACTIVITY REPORT—THIRD QUARTER, 2008



Note: A request is a media inquiry for more information (e.g., statistics, comments, work products, etc.) or for media credentials to an Academy event. An interview occurs when the Academy is able to provide a spokesperson to meet a media request. When an interview is fulfilled, it is no longer tallied as a request. A placement is an article containing an Academy reference, quote, or attribution from an Academy spokesperson or the placement of an Academy-produced letter to the editor/op-ed. A three-year quarterly average is the statistical mean of the past 12 quarterly totals for each category (requests, interviews, placements, and pickups).
*Due to the unprecedented media attention related to the Social Security statement and the *Contingencies* articles on the presidential candidates' health care proposals, resources were not available to track the full extent of media placements. However, the Academy was able to confirm more than 500 placements during this period.
**Though the media numbers reported in the August *Update* were accurate, the graphs weren't aligned proportionally to those numbers. The *Update* apologizes for this error and its confusion.

CASUALTY BRIEFS

- **Kevin Dyke**, vice president and chief actuary for American Physicians Assurance Corp. in East Lansing, Mich., has joined the Academy's Medical Malpractice Subcommittee.

PROFESSIONALISM BRIEFS

- **Karen Smith**, an actuary with Nova Pension Valuations in Houston, has been appointed the new chairperson of the Academy's Committee on Qualifications.
- **Richard Young**, an actuary with the New York State Teachers Retirement System in Albany, has been appointed the new chairperson for the Academy's Committee on Actuarial Public Service.

tingencies and the Academy were featured in media reports several hundred times during a three-week span.

Immediate Past President **William Bluhm** and President-elect **Bruce Schobel** were quoted in a Sept. 5 *Washington Post* article reporting on the Academy's **forum** that discussed market value disclosures for public pension plans. The forum also was the subject of several editorials, including those by the *Las Vegas Review-Journal* on Sept. 8 and the *Washington Post* on Sept. 15.

Tom Campbell, the vice president of the Academy's Life Practice Council and a vice president and corporate actuary with Hartford Life in Simsbury, Conn., explained actuarial guideline **VACARVM** in a *National Underwriter Life & Health* article. Campbell said the guideline allows companies to better assess and manage risks through hedging and modeling. Variations of the article first appeared on the Web on Sept. 30 and later in print on Oct. 6. The National Association of Insurance Commissioners adopted the guideline during its fall meeting in National Harbor, Md. (See Page 1.)

Donna Claire, chairperson of the Academy's Risk Management and Financial Soundness Committee and president of Claire Thinking in Fort Salonga, N.Y., explained a principle-based reserving system in a hypothetical situation in a Sept. 22 *National Underwriter Life & Health* article. Claire said with a PBR system, all risks would be identified, including those that might not currently be highlighted, such as credit default swaps.

A Sept. 23 retirement planning column in *USA Today* advises that retiring workers consider consulting a pension actuary before grabbing a lump sum. The column recommends using the Academy's **PAL program**. The PAL (Pension Assistance List) program connects volunteer actuaries to provide free help to consumers who have questions about their pensions. Volunteers are always needed for this important program. If you are able to volunteer or if you have questions about the program, visit **www.actuary.org/palprogram.asp**.

SPEAKERS BUREAU

Tom Wildsmith, member of the Academy's Committee on Federal Health Issues and a consulting actuary with the Hay Group in Arlington, Va., discussed health care for the uninsured during the Sept. 18 meeting of the Mid-Atlantic Actuaries Club in Baltimore.

NEW ACADEMY OFFICERS

The Academy's Board of Directors has approved the slate of 2009 Academy officers put forward by the Nominating Committee. New officers assumed their duties at the Academy's annual meeting in Bonita Springs, Fla., on Oct. 27. The new officers are:

Bruce Schobel
President-Elect

As the outgoing president of the Society of Actuaries, SCHOBEL has been on the Academy's Board of Directors the past two years. He also served as a regular director from 2001-04. He is chairperson of the Retirement Security Principles Task Force and the Tax Reform Task Force, as well as a member of many other Academy groups, including the Public Interest Committee and the editorial advisory board of *Contingencies* magazine. Schobel is a vice president and actuary for New York Life Insurance Co. Prior to that, he was a principal with William M. Mercer Inc., where he was the in-house technical expert on Social Security programs. He has also worked at the Social Security Administration, where he served as staff actuary to the National Commission on Social Security Reform (also known as the Greenspan Commission) and as senior policy adviser to the commissioner of Social Security. Schobel is a founding member of the National Academy of Social Insurance and has served as a consultant on Social Security to many foreign nations and international organizations. He is a fellow of the Society of Actuaries and a fellow of the Conference of Consulting Actuaries.

Al Bingham
Vice President for Health Issues

BINGHAM has been an at-large director on the Academy's Board of Directors, vice chairperson of the Health Practice Council, and a member of the Public Interest Committee. He has also served on over a dozen Academy committees and groups. Bingham is the director of actuarial services for the East regions of Kaiser Permanente in Atlanta. Prior to that, he was a senior consulting actuary for Towers Perrin in Atlanta. His experience includes working for and consulting with health plans, health providers, and large employer health and welfare programs. Bingham is a fellow of the Society of Actuaries and a fellow in the Conference of Consulting Actuaries.

Gary Josephson
Vice President for Casualty Issues

JOSEPHSON is a former member of the Casualty Practice Council and a member of the Academy's Workers' Compensation Subcommittee. He has also served in numerous leadership roles in the Casualty Actuarial Society and currently serves as a trustee of the Actuarial Foundation. Josephson is a consulting actuary for Milliman in Brookfield, Wis. He has 29 years of actuarial experience. He is a fellow of the Casualty Actuarial Society.

Kathleen Riley
Vice President for Professionalism Issues

RILEY became vice president for professionalism issues in December when she took over for Allan Ryan, who relocated to Japan. After finishing the rest of Ryan's term, she began her own two-year term in October. Riley has had a number of volunteer positions with the Academy, including previously serving as the chairperson of the Committee on Qualifications. She was also elected a regular director on the Academy board last October before becoming professionalism vice president. Riley is a senior vice president for The Segal Co. in Boston. She is also a fellow of the Society of Actuaries, a fellow of the Conference of Consulting Actuaries, and an enrolled actuary.

Sticking to the Plan

By Bill Bluhm

A little over two years ago, I said I viewed my job as president-elect and president to be an agent of change, pushing the envelope. And I would know I succeeded if I made everyone at least a little bit uncomfortable. Judging by the feedback, I appear to have succeeded.

Most of the changes relate to my focus on collaboration. I believe our new strategic plan is becoming a reality, in partnership with the other U.S. actuarial organizations. I must emphasize that the operative word is "we." Everything that happened this year was a group effort, not an individual one.

The Academy board kicked off the whole process a year ago, by unanimously adopting the most comprehensive strategic plan in its history. More than just suggestions, it mandates an operational plan, with specific goals and objectives, and measurable outcomes.

There were 86 separate initiatives identified by the plan. There really are too many changes to list them all, but here are a few of the major ones:

- The formation of CUSP, the Council of U.S. Presidents,
- A new focus on international representation with dedicated staff and volunteer positions,
- The Academy's decision to adopt advocacy positions for the first time and on behalf of the public,
- The senior staff members (directors and above) of all five organizations have begun meeting twice a year, along with the current presidents, for the sole purpose of increasing communication and collaboration.

In pursuing these changes, I have focused on finding consensus among stakeholders, then making structural and process changes, so they are permanent. I am pleased to see that we have built real momentum.

So, on the surface, there appears to have been a lot of change happening. It's either frightening or invigorating, depending on your point of view. But let's pause and think more about that.

In an earlier age, Plato proposed a theory in which our observation of the things around us is actually a lesser reflection of a true, higher reality. Looking at a chair, for instance, we see all the characteristics of a chair. It is likely obvious that it is a chair. But the essence of being a chair is something that transcends the piece of wood and cloth, the one example that we are observing.

So it is with us. We might be tempted to define ourselves by how we're organized, what we look like, or how we run our association. But, in truth, we know we are defined by our essence, a higher level of definition. We are not defined by whether we have one association or five; by whether we have a CUSP committee or not; by whether we have a strategic plan or not; or even by whether we take an advocacy stand or not.

We are defined by our essence. And the essence of who we are as a profession (and who we are as members of that profession) is that we provide financial security and safety to people who rely on us. We do so with integrity and skill. If we do our job right, nobody knows what evils might have happened—what nightmares were avoided. We are the invisible watchdogs. Our essence rises above the mundane aspects of bylaw changes and dues levels to the service of protection we provide to our community.

So, to those of you who have felt my challenge of change over the past two years, and perhaps been made uncomfortable by it, I suggest that if we keep in mind the essence of the service we provide, that—just as no colored paint on a chair makes it not a chair—no amount of change in the day-to-day details of our association will change one iota of who we are and what we do. All of us.

Be proud of it. Tell people about it. And don't be nervous—our core is invulnerable.

Bill Bluhm became the Academy's immediate past president on Oct. 27.

Volunteers Address Spending Growth at Hill Briefing

Members of the Academy's Uninsured Work Group traveled to Capitol Hill on Sept. 22 to brief congressional staff on issues surrounding health care spending growth. In their presentation, Chairperson Catherine Murphy-Barron and Vice Chairperson Stacey Lampkin provided attendees with an actuarial perspective on rising heath care spending in light of national conversations about health care reform throughout the 2008 election season.

On the heels of the new Academy issue brief *Taking Control: An Actuarial Perspective on Health Spending Growth*, Murphy-Barron and Lampkin explained major causes of increases in health spending, as well as options to address those cost drivers. The briefing focused on drivers that are actuarial in nature. These include drivers that directly increase price (such as broader-access provider networks, provider capacity, and provider consolidation) along with those that increase utilization (such as new technology and treatment, provider reimbursement structure, more generous benefit packages, and unhealthy lifestyle choices).

The demand among health care consumers for greater choice in the doctors they can see has influenced health care costs. For instance, the broader networks associated with PPO plans have limited the ability of insurers to negotiate provider discounts compared to those for HMO plans. Additionally, because of a shortage of primary-care physicians, Americans are seeing specialists with increasing frequency, which results in higher costs per service.

As for utilization drivers, one major influence the pair discussed is technology. As new, expensive medical technologies

Catherine Murphy-Barron discusses cost drivers at the Academy's Hill briefing.

are developed, only rarely do they completely replace existing treatments, said Murphy-Barron. Over time, the costs of medical technologies haven't decreased.

"It doesn't seem to work the same way technology works in other industries," she said.

However, as Lampkin explained, proponents of increased comparative effectiveness research are attempting to facilitate a shift to evidence-based medicine—which could lead to more efficient use of technology, as well as more efficient coverage, generally, at an enhanced quality of care. Other potential solutions the pair discussed are realigning provider reimbursement, including ideas like pay-for-performance incentives and reorganizing health care delivery methods. Another option is to change benefit design to discourage overuse of unnecessary services.

Lampkin also warned against pitfalls like implementing reforms that shift costs from public plans to private plans, in addition to changes that could lead to adverse selection.

The briefing was the third in a series of visits throughout the summer to Capitol Hill by Academy volunteers to educate policymakers on issues related to health care reform. To view the presentation slides or to read the issue brief, visit www.actuary.org/briefings/health_spending_sept08.asp.

VACARVM, continued from Page 1

"It's a very positive step forward, but it's also going to be a lot of work and responsibility for the actuaries," Campbell said.

LHATF adopted two other actuarial guidelines at the fall meeting, including the Actuarial Guideline on Group Waiver of Premium (AG GWP) and Actuarial Guideline CCC. AG GWP was largely the work of the Academy's Group Life Waiver of Premium Valuation Table Work Group, providing guidance on the use of new mortality and recovery tables to calculate reserves in group term life waiver of premium benefits. The guideline could replace the previously used Krieger table. AG CCC addresses minimum nonforfeiture values on policies with return of premium benefits.

Both guidelines are expected to be brought up by the NAIC's Life Insurance and Annuities Committee during the December winter meeting, with the possibility of being passed by the NAIC at that same meeting or during the spring meeting in March.

Life Notes

► The Joint Society of Actuaries/Academy Project Oversight Group presented margins to be used with potentially new mortality tables.

RISK MANAGEMENT AND FINANCIAL REPORTING BRIEFS

➤ The Academy's Financial Reporting Committee commented on a pair of discussion papers in September. The first comment letter was sent to the International Accounting Standards Board in response to its paper *Reducing Complexity in Reporting Financial Instruments*, and the second was sent to the Financial Accounting Standards Board concerning its paper *Conceptual Framework of Financial Reporting: The Reporting Entity*.

HEALTH BRIEFS

➤ Joining the Academy's Health Practice International Task Force are **Jennifer Vandeleest**, an actuary with Humana Inc. in Green Bay, Wis.; **Troy Holm**, assistant vice president and actuary for Trustmark Insurance Co. in Lake Forest, Ill.; **Paul Fleischacker**, an actuary in West Palm Beach, Fla.; **Carl Ghiselli**, an actuarial analyst for WellPoint Inc. in Chicago; **Xiaohui Jin**, health benefits analyst with The Segal Co. in New York; **Joseph Sternfeld**, an actuary in Cambridge, Mass.; and **Mintu Pal**, an actuary in Laurel, Md.

[LIFE NEWS]

LFRC Exposes Fair Value Practice Note

BY LEONARD REBACK

THE ACADEMY'S LIFE FINANCIAL REPORTING COMMITTEE has released a draft **practice note** addressing financial reporting for life insurance and annuity contracts under Financial Accounting Statement (FAS) No. 157 and FAS No. 159.

FAS 157, *Fair Value Measurements*, was adopted in September 2006 and became effective for fiscal years beginning after Nov. 15, 2007. FAS 157 provides guidance as to how to calculate the fair value of items for which such calculations are required or permitted by other generally accepted accounting principles (GAAPs). Examples of situations where a fair value calculation may be required include:

- Minimum guaranteed benefits on variable annuity contracts that are considered embedded derivatives under FAS 133;
- Equity indexed benefits on annuity or universal life contracts that are considered embedded derivatives under FAS 133;
- Investment contracts for which a fair value disclosure is required under FAS 107; and
- Purchase GAAP situations, where insurance liability calculations are required under FAS 141.

FAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, was adopted in February 2007 and became effective for fiscal years beginning after Nov. 15, 2007. FAS 159 permits a company a one-time irrevocable option to elect fair value reporting for contracts that meet certain requirements. Fair value calculations for contracts for which such elections are made must be in accordance with FAS 157.

FAS 157 and FAS 159 have presented a number of issues to actuaries responsible for valuation of life insurance and annuity contracts. Such issues include use of assumptions that are not observable in a liquid market, reflection of a company's own credit standing, estimation of risk margins, disclosure requirements, and fair value option election criteria.

The practice note presents observations of current practice within the life insurance industry in implementing these new GAAP accounting standards. Comments are due to Tina Getachew (getachew@actuary.org) by Nov. 25.

Leonard Reback, vice president and actuary with Metropolitan Life Insurance Co. in Bridgewater, N.J., is vice chairperson of the Academy's Life Financial Reporting Committee.

LIFE BRIEFS

- **David Smith**, vice president and chief actuary for National Teachers Associates Life Insurance Co. in Addison, Texas, has joined the Academy's Life Principle-based Approach Practice Note Work Group.
- **James Fredericksen**, actuarial manager for SMART Business Advisory and Consulting in Avon, Conn.; **Edward Myers**, associate actuary with Old Mutual Financial Network in Baltimore; and **Scott Simms**, associate actuary with Nationwide Mutual Insurance Co. in Columbus, Ohio, have joined the Academy's Annuity Reserves Work Group.
- **Katherine Campbell**, a life and health actuary for the Alaska Division of Insurance in Juneau, has joined the Academy's Life Practice Council.

[FOREIGN EXCHANGES]

Korean Regulations Bring Opportunities

BY CHANTAL BRAY

OUR FAMILY MOVED TO TOKYO IN MARCH 2007 when my husband, Mark Nebelung, was asked by his employer, Principal Global Investors (a subsidiary of the Principal Financial Group), to be the head of investments there. A former pension consulting actuary with Mercer, I joined ING Life Japan soon after moving, and my role has quickly expanded to become the head of retirement services at ING for Asia-Pacific, as well as the executive director and head of the retirement services division at ING Korea.

Although my husband and I are both experiencing many lost-in-translation moments after moving to Asia from North America, the differences between the Korean and Japanese profession offer their own unique challenges. Though the countries are close enough for me to fly back and forth from Seoul to Tokyo every week, the actuarial examination processes, for instance, share little resemblance.

While we North Americans used to complain about the November and May exam sessions, the Japanese exams are usually held once per year on Christmas Day, with results announced on Valentine's Day. In Japan, there are seven exams to qualify as a full actuary under the Institute of Actuaries of Japan, and five of those exams give you an associateship-type of designation. Total travel time is about five years for associateship and eight years for fellowship. There are close to 1,100 fellows, which is incredibly small for the second biggest market in the world.

In Korea, there's a much different process, as there are only two exams—each one having only a 20 percent passing rate. The first part is waived if the candidate works for five years in an actuarial capacity. As of July 1, 2007, there were only 381 qualified insurance actuaries. However, the Korean profession is undergoing a period of transition, as the Institute of Actuaries of Korea is revamping

See **TRANSITION TO RETIREMENT**, Page 8

In Memoriam

Dan McCarthy

THE FOLLOWING TRIBUTE TO LATE ACADEMY PRESIDENT DAN MCCARTHY WAS WRITTEN BY ACADEMY IMMEDIATE PAST PRESIDENT BILL BLUHM.

It is with great sadness, both personally and professionally, that I must share with you the news that on Sept. 26, 2008, our dear friend Dan McCarthy succumbed to cancer, and the actuarial profession lost an extraordinary champion. He was 70 years old.

I have known and admired Dan for over 30 years. He was an amazing individual, blessed with a first-rate mind, a great heart, and a vibrant personality. Anyone who ever worked with Dan understood what a pleasure it was to be part of whatever team he was leading. He was a consummate leader, one whose enthusiasm for his profession—for life in general—was infectious and inspiring. We will miss him greatly.

In addition to serving as chairman of Milliman from 1993 to 2000, Dan was president of the Academy in 2001-2002. He also served as chairman of the Actuarial Foundation, vice chairperson of the Actuarial Standards Board, and on the governing boards of the Society of Actuaries and the Academy.

Most recently, Dan graciously served the Academy as its first international secretary, traveling all over the world to represent the U.S. actuarial profession at the International Actuarial Association, the International Association of Insurance Supervisors, and other international organizations. He was a regular adviser to the Academy board, the Council of U.S. Presidents, and the North American Actuarial Council, always providing his brilliant insight into how U.S. actuaries can take their place at the global table.

Dan is survived by his wife, Virginia, six children, and 15 grandchildren.

At the request of Dan's family, donations in his memory can be made to **www.mercyfirst.org**.

TRANSITION TO RETIREMENT, continued from Page 7

the exams so that by 2010 the system will meet the standards of the International Actuarial Association (IAA). Additionally, the number of actuaries in Korea is expected to increase as pension actuaries are incorporated into the new exam system. The current Korean exam system is too simple, incorporating basic math and insurance principles spread over two exams. The number of subjects and depth is expected to be elevated significantly, including a major pension exam instead of the two-week seminar that is currently required.

These changes come on the heels of the country's new second-pillar retirement system, which was implemented in December 2005. It is referred to as the Korean ERISA as it shares many similarities to the U.S. system of a voluntary corporate layer of defined contribution and defined benefit (DB) pension plans and individual retirement accounts. The Korean ERISA (or ERBSA – Employee Retirement Benefit and Savings Act) is 15 pages long instead of the thousands of pages of ERISA, so you can imagine it is a North American actuary's paradise! There are no non-discrimination rules, no Pension Benefit Guaranty Corp. premiums, and, at the moment, no employee can accumulate service under two different pension plans—although this change is already proposed.

Under ERBSA, the minimum DB funding level is 60 percent of the pension benefit obligation (instead of roughly 90 percent of the accumulated benefit obligation in the U.S.) with no penalties for noncompliance. There are no annuities payable from these corporate pension plans, only lump sums. Unlike the no-minimum rule in the U.S. and Canada, the minimum required employer contribution is 8.33 percent of pay, which is slightly less than the Australia superannuation system of 9 percent.

This is a good start for bringing Korea up to global standards of retirement systems as the new generation of workers are not expecting to receive money from their children, unlike prior generations. Now it is up to actuaries and other retirement specialists to design and implement massive education programs to help Koreans realize how much of a gap they have in their retirement planning.

Chantal Bray, regional head of retirement services in Asia-Pacific for ING in Tokyo, is a member of the Academy, a fellow of the Society of Actuaries, and an enrolled actuary.

Qualification Standards

Is there still a process for becoming an approved provider under the revised Qualification Standards?

Under the revised standards, there is no longer a process for becoming an approved provider. It's now up to the individual actuary to determine if attendance and participation at any particular event constitutes an organized activity. There is also a one-year roll-forward provision. If an actuary earns more than 30 relevant CE credits in any given year, the excess can be carried over to satisfy the next year's CE requirements.

Actuarial Update

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