

PPC Releases Issue Brief on Challenges Facing PBGC Multiemployer Program

THE PENSION PRACTICE Council (PPC) released an [issue brief](#) that examines the Pension Benefit Guaranty Corp.'s (PBGC) multiemployer pension program, which could exhaust its assets in less than 10 years and be forced to cut benefits to retirees receiving PBGC support unless changes are made. The issue brief, *Honoring the PBGC Guarantee for Multiemployer Plans Requires Difficult Choices*, notes that:

- ➔ The PBGC program that guarantees minimum benefits to multiemployer pension plan participants is projected to exhaust its assets within about eight years;
- ➔ If the PBGC multiemployer program exhausts its assets, beneficiaries and retirees receiving PBGC support could see their guaranteed benefits reduced by about 85 percent;
- ➔ The multiemployer program's financial stresses stem from inadequate premium levels, maturing pension plans, industry transformations, and the 2008 recession;
- ➔ Based on the PBGC's 2016 Multiemployer Pension Reform Act of 2014 (MPRA) report, premiums would need to increase about six times current levels to cover expected financial assistance payments through 2035, with

even larger increases necessary to ensure long-term sustainability; and

- ➔ There are no easy solutions, but doing nothing means that ultimately the PBGC guarantee will not be honored.

"None of the options are ideal, and they require difficult sacrifices, possibly from parties who had no role in the creation of the problem," the issue brief stated. "But it is clear that if nothing is done, the guarantees promised to the participants in multiemployer plans will not be fully honored."

The Academy also issued a [news release](#) on the issue brief. ▲

Academy's Annual Meeting and Public Policy Forum Is Only Days Away

THE ACADEMY'S [Annual Meeting and Public Policy Forum](#) will be held Nov. 3-4 in Washington, D.C. In addition to high-profile plenary-session speakers and practice-specific breakout sessions, the agenda offers up to 12 organized-activity continuing education (CE) credits, and up to 1.8 professionalism CE credits. The Academy believes in good faith that Enrolled Actuaries attending the three pension breakouts also can earn up to 5.4 "non-core" CPD credits under the JBEA rules.

The slate of [keynote and plenary speakers](#) includes the former U.S. Sen. Chris Dodd, who will discuss the Dodd-Frank financial reform law; Keith Hall, director of the Congressional Budget Office, who will discuss sustainable public programs; Tom Reeder, director of the Pension Benefit Guaranty Corp., who will discuss challenges to multiemployer pensions; Centers for Medicare & Medicaid Services Acting Administrator Andy Slavitt, who is expected to discuss health care reform and Medicare; and Oregon Insurance Commissioner Laura Cali, who will address Big Data issues.



Breakout sessions will cover top issues in [casualty](#), [health](#), [life](#), and [pension](#) practice, including Affordable Care Act implementation, cyber risk, emerging pension design plans, analysis of the information used in life underwriting in light of genetic testing, and other significant issues.

The [meeting agenda](#) also includes a professionalism plenary session—featuring Cali and incoming Academy President Bob Beuerlein—that will explore the implications of Big Data for actuaries across practice areas. The Nov. 3 dinner, included with the conference registration, will include cutting

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Cross-Border Agreement Signed

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Deadline Soon for Actuarial Challenge

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Professionalism Counts: ABCD Guidance

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Global Webinar: France, U.K. Health Systems

NOVEMBER

3-4 Annual Meeting and Public Policy Forum, Washington, D.C.

13-17 Life and Health Qualifications Seminar, Arlington, Va.

16 Webinar: Alternative Pension Cost—An Update and Review of Implementation Issues

DECEMBER

6-7 2016 Seminar on P/C Effective Loss Reserve Opinions, Chicago

For a list of all previous and upcoming Academy events, please visit the Academy's online [Events Calendar](#).

To continue receiving the *Update* and other Academy publications on time, make sure the Academy has your correct contact information. Academy members can update their member profile at the member login page on the Academy [website](#).

Academy NEWS

North American Actuarial Organizations Sign Cross-Border Discipline Agreement

PROFESSIONAL ORGANIZATIONS representing actuaries in the United States, Canada, and Mexico signed a cross-border discipline agreement articulating how disciplinary inquiries that require investigations will be handled when member actuaries perform work outside their home country within the three-nation area.

"This important document of mutual understanding eliminates potential confusion and barriers to international actuarial practice by

making clear how the discipline process operates for U.S. actuaries working in Canada and Mexico, and for Canadian and Mexican actuaries working across the borders of our three countries," said Academy President Tom Wildsmith, who signed the agreement on behalf of the Academy.

The agreement effectively expands upon an existing discipline agreement between U.S. and Canadian actuarial organizations to include their Mexican counterparts. ▲



Academy president Tom Wildsmith (front, center) with other North American actuarial officials at the ceremony in Montreal for the signature of the updated cross-border discipline agreement.

Selection Committee Appoints ASB, ABCD Members

THE SELECTION COMMITTEE, established in the Academy's bylaws and chaired by the Academy president, is composed of the presidents and presidents-elect of the five U.S.-based organizations that participate in the Actuarial Board for Counseling and Discipline (ABCD). It makes the appointments of members and chairs for the Actuarial Standards Board (ASB) and the ABCD each year. The committee reappointed Maryellen Coggins, Chris

Carlson, and Darrell Knapp to second terms on the ASB. It also reappointed Coggins as chairperson and reappointed Beth Fitzgerald and Frank Todisco to the vice chairperson positions.

The Selection Committee also made appointments for the ABCD. It appointed John Tierney and Godfrey Perrott to the ABCD; reappointed David Driscoll to the ABCD for a full term; and appointed Rick Block as chairperson and David Ogden and Deborah Rosenberg as vice chairpersons. ▲

Academy NEWS Briefs

Academy Honors ASPPA's 50th Anniversary

THE ACADEMY gave a commemorative vase to the American Society of Pension Professionals & Actuaries commemorating ASPPA's 50-year anniversary. John Parks, the Academy president from 2009-10, presented the gift on the Academy's behalf on Oct. 25. ▲



Recently Released

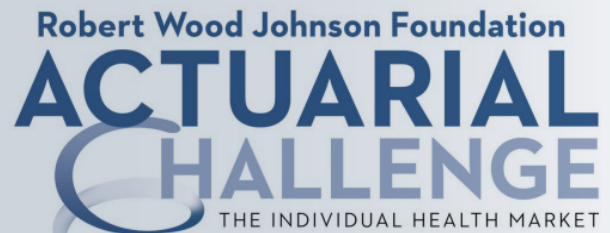
THE OCTOBER *HealthCheck* previews the health plenary and breakout sessions at the Academy's upcoming Annual Meeting and Public Policy Forum; covers recent Academy correspondence with Congress on health issues; recaps this month's global health webinar on health care systems in France and the U.K.; and includes a reminder on the health care *Actuarial Challenge*.

The fall issue of *PBA Perspectives* features updates on principle-based reserving as well as regulatory, legislative, and Academy activities surrounding the implementation of the principle-based approach for life insurance. ▲

Deadline Approaching for Health Care 'Actuarial Challenge'

THE ACADEMY is helping to promote and coordinate a collaborative "Actuarial Challenge," being conducted by the Robert Wood Johnson Foundation in conjunction with Milliman Inc. This is an opportunity for actuaries to provide innovative ideas and proposals to increase stability in the individual health insurance market. Anyone wishing to participate must complete an online application

before 6 p.m. EST on Friday Nov. 11. The challenge itself runs through April 2017; visit the [Actuarial Challenge website](#) for more information. ▲



Academy Seeks Actuarial Club Information for Online Hub

AT OUR MEMBERS' suggestion, the Academy is compiling information on U.S. actuarial clubs. We invite club leaders to submit information, via www.actuary.org/clubs, including your club's name and location, regular meeting schedule, contact infor-

mation and website, and practice area(s), as applicable. This same page on the Academy's website contains information from several clubs already received. A club's president or equivalent leader also may submit their information to the Academy at clubs@actuary.org. ▲

Public Employment Opportunity

THE WASHINGTON STATE Office of the Insurance Commissioner (OIC) is seeking applicants for the position of chief actuary within its Rates and Forms Division. The position reports to the deputy insurance commissioner and will contribute to OIC's goals of protecting consumers, maintaining a healthy insurance climate, and improving customer service by manag-

ing the Actuarial Services Unit. A complete description of the opportunity and how to apply is available on the State of Washington's [job opportunities website](#).

The Academy provides public service announcements to government employers seeking to hire qualified actuaries. See our [Public Employment Opportunity Posting Policy](#) for more information. ▲

Annual Meeting, continued from page 1

political musical satire from the renowned Capitol Steps musical comedy troupe just days before the fall elections.

The Academy will also present its annual awards, including the [Robert J. Myers Public Service Award](#), to Joan



Weiss; the [Jarvis Farley Service Award](#), to Bob Meilander; and the [Outstanding Volunteerism Award](#), to Donna Claire, Barbara Klever, and Kathleen Odomirok.

There's still time to join us. [Register today](#). ▲

IN THE NEWS

Long-Term Care Reform Subcommittee Vice Chairperson Bruce Stahl discussed changes in the pricing characteristics for LTCI policies in a [Risk & Insurance](#) magazine article.

[Bloomberg BNA](#) and [PlanSponsor.com](#) covered the release of the Pension Practice Council's new issue brief on the PBGC multiemployer guarantee system.

[Time](#) and [CNN Money](#) stories on retirement planning cited the [Actuaries Longevity Illustrator](#), developed by the Academy and the Society of Actuaries, as a useful tool to help people understand longevity risk. The stories were republished by a number of news outlets, including [Real Deal Retirement](#) and [Yahoo Finance](#). A [USA Today](#) story quoted Noel Abkemeier, chairperson of the Lifetime Income Risk Joint Task Force, on the importance of understanding and financially addressing longevity, in a story also published by the [Detroit Free Press](#) and [The Arizona Republic](#).

A [Health Affairs Blog](#) post promoting the Academy co-sponsored [Actuarial Chal-](#)

[lenge](#) urged actuaries to be part of the friendly competition in which teams of actuaries develop and test feasible solutions to improve the performance of the individual health insurance market.

Stories in [Life & Health Advisor](#), [Plan-Sponsor](#), [Retirement Income Journal](#), and [PlanAdvisor](#) highlighted the Academy's new pension risk transfer [issue brief](#), and a link to it was posted in [BenefitsLink.com](#). The issue brief provides a discussion of risk transfer from the perspectives of plan sponsors, beneficiaries, and policymakers.

Academy Senior Life Fellow Nancy Bennett described actuarial assumptions for a [LifeHealthPro](#) story on universal life policy premium increases.

Senior Health Fellow Cori Uccello provided an actuarial perspective on the impact of loosening the age-rating band ratio from 3:1 to 5:1 under the Affordable Care Act in a subscriber-only [Inside Health Insurance Exchanges](#) story.

[MoneyTips](#) cited recommendations from the ASB's [Pension Task Force report](#) in a

story that looks at retirement challenges, including the funding of state and local pension plans. The story was reprinted by a number of other media outlets, including the [Houston Chronicle](#), [KAAL-TV](#) (Minn.), and [WiscNews](#).

A [Health Affairs Blog](#) post discussing the Affordable Care Act's temporary reinsurance program and its effect on individual market premiums cited the Academy's [issue brief](#) on the major drivers of 2016 premium changes.

The syndicated radio show "Indy's Morning News" cited the Academy's analysis of longevity risk in a report on the challenges and possible solutions for current and future retirees in securing and managing their lifetime income needs. The program aired on WIBC-FM (Indianapolis) on Oct. 17.

A [Mississippi Watchdog](#) story on the state's public employee pension funding issues mentioned the Academy's [issue brief](#) on the 80% pension funding standard myth. ▲



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ABCD Guidance: A Critical Element of Actuarial Self-Regulation

BY JANET FAGAN

Chairperson, Actuarial Board for Counseling and Discipline

CREDENTIALED ACTUARIES in the United States have long enjoyed the ability to regulate their own profession. The Academy was established to provide the professionalism structure for that self-regulation, and the [Actuarial Board for Counseling and Discipline](#) (ABCD) is a critical component of that structure. Through the ABCD, the profession provides the means to assist individual actuaries in their obligations to act honestly, with integrity and competence, and in a manner to fulfill our responsibility to the public. The ABCD does this by providing a readily available resource for actuaries to ask questions and get guidance on ethical challenges and practice questions that may arise. These questions may arise due to obligations under the Code of Professional Conduct to comply with standards of conduct, practice, and qualification.

The ABCD is a resource you should know about and use, and suggest your colleagues use, to get valuable advice. Many may know only that the ABCD investigates possible material violations of the Code. But you should know that the majority of our work is devoted to responding to requests for guidance (RFGs) from actuaries on a wide range of practice, conduct, and qualification questions. In providing such guidance, the ABCD helps to improve practice and give confidence to the public. Both of these efforts are central to the actuarial profession's continuing ability to self-regulate.

Improving practice

By providing guidance, the ABCD helps to bridge any gap in understanding or internalizing the requirements of mandatory standards of practice and qualification, and the daily practice of actuaries. Over the past several decades, developments in actuarial science, the economy, law, and national policy have resulted in a body of new and more complex professional standards of practice and qualification.

In our increasingly complicated environment, actuaries may struggle at times to apply these standards appropriately to their daily practice and in their interactions with the public, their clients, and other actuaries. The ability of individual actuaries to engage in confidential dialogue with ABCD members, each of whom is an experienced actuary with expertise in a particular practice area, improves practice by helping actuaries determine how to apply these standards appropriately and make choices that adhere to the Code. This is true regardless of whether the discussion was

requested by the actuary to help manage a professional quandary or whether counseling was mandated by the ABCD as the most appropriate outcome of a formal investigation. ("Guidance" is provided upon request; "counseling" may be one of the outcomes of an ABCD investigation.)



Public confidence

The existence of a robust mechanism for providing expert guidance and counseling to individual actuaries tells the public that actuaries who have questions about their work can find help to discern the ethically correct direction and that actuaries who stray from the profession's standards of conduct, qualification, and practice will be guided back to them. Individual requests for guidance and counseling sessions are kept confidential to facilitate communication, promote candor, and protect reputations.

The ABCD's [annual report](#), available on the ABCD website, provides information on the number, frequency, and topics of the RFGs that it has fielded, as well as similar information for complaint proceedings. Looking at these, actuaries can understand they are not alone in seeking guidance and advice on almost any actuarial matter that may arise in their practice. In 2015, the ABCD handled 96 RFGs and 29 complaints. The RFGs covered a wide range of topics, including professional integrity, qualifications, communication and disclosures, conflicts of interest, control of work product, cooperation, and Precept 13. Last year, nearly 80 percent of the RFGs focused on the first three precepts of the Code—professional integrity/skill and care, qualifications, and standards of practice. Those first three precepts have great importance for the credibility of our profession.

Requesting guidance

The ABCD's counseling and guidance services not only to reassure the public; they also provide essential assistance to actuaries facing ethical and practical questions in their actuarial work. The ABCD strongly encourages actuaries to seek guidance before difficult situations evolve into professional problems. An ABCD member can assist you with ethical or conduct issues as well as with questions on practice and deviations from prescribed methods. ABCD members can help you frame issues, consider relevant authorities, and think about practical considerations. Requesting guidance from the ABCD can help you maintain high levels of professionalism in your work in the face of difficult or confusing circumstances.

ABCD, CONTINUED ON PAGE 6



Professionalism Webinar Highlights

Cross-Practice Standards

CLOSE TO 2,000 PEOPLE attended the Oct. 19 professionalism webinar, “An Overview of Cross-Practice Standards,” which gave participants insights into the actuarial standards of practice (ASOPs) that apply to all practice areas. Actuarial Standards Board (ASB) Chairperson Maryellen Coggins and Vice Chairpersons Beth Fitzgerald and Frank Todisco discussed cross-practice standards on actuarial communications, data quality, and credibility procedures, as well as proposed standards on assumptions and modeling.

Coggins kicked off the presentation—which was moderated by Paul Kollmer-Dorsey, the Academy’s general counsel and director of professionalism—with an introduction to the ASB and its drafting and revision processes, stressing the importance of input from stakeholders. Cross-practice standards articulate broad principles, align terminology across practice areas, and, in conjunction with practice-specific standards, provide effective guidance for all practice areas, she said.

She then discussed ASOP No. 1, [Introductory Actuarial Standard of Practice](#), which establishes a roadmap for interpreting ASOPs and provides important guidance for the exercise of professional judgment in applying all other ASOPs. ASOP No. 1 also defines several terms used throughout the ASOPs, including “must,” “should,” “should consider,” and “may.” She explained that “failure to follow guidance denoted by ‘must’ or ‘should’ is considered a deviation from the guidance. ... The phrase ‘should consider’ is often followed by a list of potential actions or examples. If after consideration, in the actuary’s professional judgment, an action is not appropriate, the action is not required and failure to take action is not a deviation from the guidance.”

Todisco then turned to ASOP No. 41, [Actuarial Communications](#). “One can make the case that ASOP No. 41 is the single most important ASOP of all,” he said, as it applies to actuaries issuing actuarial communications in any practice area. ASOP No. 41 requires an actuary to “complete an actuarial report if the actuary intends the actuarial findings to be relied upon by any intended user,” and defines “intended user” as “any person who the actuary identifies as able to rely on the actuarial findings.”

ASOP No. 41 requires communications to be clear to the intended user. Todisco noted that not all intended users are actuaries. “Intended users may be nonactuaries who are technically or financially skilled. At other times, they may be nonactuaries who are not strong technically,” he explained. The actuary should use language that will be clear to the user, he said.

Beth Fitzgerald discussed ASOP No. 23, [Data Quality](#), stressing that “Data is the lifeblood of all actuarial work. ... Ensuring that the data used is of the best quality and fit for the purpose is essential.” ASOP No. 23 recognizes that “completely accurate, comprehensive, and appropriate” data is rarely available. The key, Fitzgerald said, is to use the best data available and to disclose the limitations of that data and their implications. If, in the actuary’s professional judgment, the data are so inadequate that they cannot be used to satisfy the purpose of the assignment, the actuary should obtain different data or decline the assignment, she said. “It’s always good practice to ask questions about the information you receive,” she continued. She also reported that ASOP No. 23 is being revised, with key changes focusing on when the ASOP applies, additional disclosures, and more consistent use of defined terms.

Todisco introduced a potential ASOP on assumptions, which is still being drafted and has not yet been exposed for comment. Issues the drafters are considering include core principles of appropriate practice that should apply regardless of practice area, what to include in scope, what constitutes a reasonable assumption, what responsibilities are appropriate when relying on others, and what disclosures are appropriate. “Appropriate use and disclosures about assumptions can be a particularly important area for the credibility of our profession,” Todisco said.

[Modeling](#) is another new potential ASOP, now in a third exposure draft. Fitzgerald covered key provisions of the draft modeling standard, including what types of models the standard applies to, to what extent the actuary should understand the model, mitigation of model risk, models developed by others, and reliance on others in a modeling team. In response to a question on whether the standard would apply to predictive analytic models that the actuary may not fully understand, Fitzgerald said that the standard as presently proposed would apply and that the actuary should make a reasonable attempt to understand the important aspects of the model and whether it can fulfill the intended purpose. She also noted that the draft addresses this concern and contains various suggestions for approaching complex models.

Coggins wrapped up, saying that cross-practice standards provide a framework for using professional judgment and address increasingly complex foundational issues of actuarial practice. She concluded by urging listeners to [provide feedback to the ASB](#).

[Webinar slides and audio](#) are available to members free of charge on the Academy’s website. ▲

ABCD, CONTINUED FROM PAGE 5

Requests for guidance can be formal or informal. Generally, an individual ABCD member answers an informal inquiry. These responses represent the individual ABCD member’s considered opinion, not the views of the ABCD as a whole. Informal

guidance is generally provided within a few days, and sometimes immediately. Formal requests are considered by the ABCD as a whole. Sometimes, actuaries ask for the opinion of the entire ABCD. This involves all members of the ABCD

and can take months. Actuaries may learn more about how to request guidance on the [ABCD’s website](#).

The ABCD’s provision of guidance is a vital force guiding the profession to fulfill its responsibility to the public. ▲

Professionalism Outreach

➔ Academy President Tom Wildsmith addressed students in actuarial science programs at the Pennsylvania State University and Temple University this month. His Oct. 11 and Oct. 21 presentations, “Professionalism and the Aspiring Actuary,” provided students with a compelling account of the broad societal impact of the U.S. actuarial profession’s work and how the Academy historically has articulated, and continues to articulate, the consequent professional responsibilities of actuaries with regard to the public, employers, clients, and others.

➔ Actuarial Board for Counseling and Discipline (ABCD) Vice



Wildsmith at Temple University

PHOTO: GAMMA IOTA SIGMA, SIGMA CHAPTER

Chairperson Janet Carstens spoke Oct. 11 on professionalism to an audience of nearly 200 at a Twin Cities Actuarial Club meeting in Minneapolis. Topics included an overview of the ABCD’s purpose and counseling services for actuaries, and aspects of documentation. Carstens, a Council on Professionalism member, also facilitated discussions of professionalism case studies. ▲

ASB General Committee Appointments

Janet Barr is chairperson of the new ASOP No. 32 Task Force, appointed to revise ASOP No. 32, [Social Insurance](#). She is joined on the task force by: **Suzanne Codespote, Karen Glenn, Stephen Goss, Warren Luckner, Clare McFarland, Alicia Munnell, Jeffrey Petertil, Neela Ranade, F. Kevin Russell, Jeffery Rykhus, John Wandishin, and Joan Weiss.** ▲

PROFESSIONALISM BRIEFS

➔ **Nancy Behrens, Audrey Halvorson, Leonard Mangini,** and **Karin Swenson-Moore** have joined the Committee on Professional Responsibility.

CASUALTY NEWS

CPC, COPLFR Submit Comment Letter to ASB on Modeling ASOP

THE CPC AND THE Committee on Product and Liability Financial Reporting (COPLFR) [submitted a letter](#) to the Actuarial Standards Board, commenting on the third [exposure draft](#) of the proposed actuarial standard of practice (ASOP) for modeling.

The comments addressed predictive modeling, definitions and general uses of modeling, and offered a change to the definition of “implementation,” which it recommended to be “the process by which an executable form of a model is created.” It also recommended adding a sentence directing actuaries to refer Section 4.2 of to ASOP No. 41, [Actuarial Communications](#), for guidance regarding methodologies and disclosures. ▲

P/C RBC Reports to NAIC

THE P/C RISK-BASED CAPITAL COMMITTEE [submitted a report](#) to the NAIC’s P/C Risk-Based Capital (E) Working Group on the 2016 Update to Property and Casualty Risk-Based Capital Underwriting Factors.

The committee recommended the Working Group consider adopting factors resulting from the revised methodology outlined in its report, and calculated those factors with three different capping scenarios.

The report outlines current methodology, including summaries of reserve risk factor and premium risk factor; proposed methodology, including a summary of current methodology; cites previous Academy letters to the NAIC; and has several appendices, including on pooling methodology and maturity analysis. ▲

CASUALTY BRIEFS

- ➔ **Achille Sime Lanang** has joined the Automobile Insurance Committee.
- ➔ **Glenn Tobleman** has joined the Committee on Property and Liability Financial Reporting.
- ➔ **Thomas Edwalds, Christopher Holt, John Pierce, Jane Taylor,** and **Andy Tran** have joined the Cyber Risk Task Force.
- ➔ **Janejira Aranyawat, Jo Ellen Cockley, Rebecca Knackstedt, Michael Mendel, Alison Milford, Brett**

- Parmenter, Anne Petrides,** and **Derrick Shannon** have joined the Medical Professional Liability Committee.
- ➔ **Berna Beekman** has joined the Property and Casualty Risk-Based Capital Committee.
- ➔ **Emily Coventry** has joined the Travel Insurance Task Force.
- ➔ **Janejira Aranyawat, Nicole Elliot, Brett Foster,** and **Charles Romberger** have joined the Workers’ Compensation Committee.



Global Health Webinar Looks at France, United Kingdom

MORE THAN 300 PEOPLE from about 285 registered sites listened to the Oct. 5 webinar on the [health care systems of France and the United Kingdom](#). Part of the global health care webinar series presented jointly by the Academy's Health Practice International Committee and the International Actuarial Association Health Section (IAAHS), the webinar's panel looked at major cost drivers in both countries, the outlook for reform/changes, and the role of actuaries. The webinar was moderated by April Choi, who has been chairman of the IAAHS since 2014 and was chairperson of the Academy's Health Practice International Task Force from 2009 to 2014.

Christelle Dieudonné and Yann Quéré, actuarial executives with more than 20 years of experience, presented on France's health care system. Dieudonné, chairperson of the Health Committee of the French Institut des Actuaire and the institute's representative to the IAA's Health Committee, noted that France's social security system has been managed historically by four separate administrations.

Like the U.S., France and the U.K. have aging populations and associated health-care cost concerns.

Quéré noted that the government generally sets prices for medical visits and drugs. Some, like hospital visits, are well reimbursed, and others, like drugs and optical services, are not so well reimbursed. The issue of out-of-pocket expenses becoming higher is "quite a cultural issue," he said, and will be a big issue in France's presidential election scheduled for next year. Health actuaries have a large role in shaping the government's policy, Dieudonné said.

London-based Adrian Baskir, vice chairman of IAAHS

with 25 years of experience in management and executive roles, gave the overview of the U.K.'s health system. He noted that, like France and the United States, the U.K. (England, Scotland, and Wales, plus Northern Ireland) has an aging Baby Boomer population. Its National Health Service (NHS) is highly regarded, with any perceived cuts to it drawing widespread criticism from the public and press (see image from slide presentation). The NHS topped a poll of things Britons were proud of—ahead of the military, the royal family, and the country's Olympic team, he said.

"Everyone is really proud of [the NHS]," Baskir said, and as in France, the system's future is an important political issue. More outsourcing of services is controversial, and a funding shortfall is projected in the system by 2018-19, with the government seeking a £22 billion savings "that are difficult to find," he said. "The NHS has a big deficit that's growing, and it will continue to grow as the population ages."

[Slides and audio](#) from the webinar are available for members free of charge.

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LIFE NEWS

Life Groups Submit Comments to NAIC

SEVERAL LIFE PRACTICE Council groups submitted comments to the NAIC this month.

The Stress Testing Work Group submitted [comments](#) to NAIC's Stress Testing (E) Subgroup on providing assistance to help meet its charge. It stated that any consideration of risk-based capital (RBC) must start with an understanding of the impact of a reserve methodology on required capital levels. The work group's view is that principle-based reserving for life insurance policies (i.e., VM-20) does not necessitate any changes to the RBC formula.

The Nonforfeiture Modernization Work Group submitted [comments](#) to NAIC's Life Actuarial Task Force (LATF) with regard to potentially updating standard nonforfeiture laws. Its letter noted

the key considerations driving the possibility of nonforfeiture reform, and the pros and cons of the general approach to nonforfeiture reform.

The C1 Work Group submitted [comments](#) to NAIC's Investment RBC Working Group on proposed RBC factors for fixed-income securities for the NAIC's life RBC formula, in which it cited the Academy's August 2015 report, [Model Construction and Development of RBC Factors for Fixed Income Securities for the NAIC's Life Risk Based Capital Formula](#). The letter addressed sensitivity testing, recovery, default rates (smoothing process and change by environment), and the relationship of experience database with industry holdings.



Task Force Makes Longevity Risk Presentation to Federal Reserve

THE LONGEVITY RISK Task Force gave a [presentation](#) to the Federal Reserve Insurance Policy Group on longevity risk in annuity and life insurance.

The presentation included a summary of topics in the task force's presentation to the NAIC's Life Actuarial Task Force (LATF); an analysis of U.S. mortality trends; a review

of regulatory approaches to longevity risk; a review of company approaches to longevity risk; a preliminary modeling exercise; and initial conclusions. ▲

Work Group Submits Comments to ASB on ASOP 24 Revisions

THE LIFE ILLUSTRATIONS Work Group submitted [comments](#) to the ASB on proposed revisions to ASOP No. 24, [Compliance with the NAIC Life Insurance Illustrations Model Regulation](#). It offered several definitional comments to the ASOP, and noted it was seeking to ensure that changes in wording were meant to be clarifications, and not substantive changes to practice standards. ▲

LIFE BRIEFS

- ➔ **Scott Japko** has joined the Lifetime Income Risk Joint Task Force.
- ➔ **Albert Abalo** has joined the Life Reinsurance Work Group.
- ➔ **Benjamin Farnsworth** has joined the Life Reserves Work Group.
- ➔ **Mike Theisz** has joined the SVL Interest Rate Modernization Work Group.
- ➔ **Joseph Hellmann** has joined the Annuity Reserves Work Group Floor Reserve.

PENSION NEWS

Issue Brief Examines Implications of Pension Risk Transfers

THE PENSION COMMITTEE released an issue brief, [Pension Risk Transfer](#), which explores risk transfers by defined benefit pension plans from the perspectives of plan sponsors, beneficiaries, and policymakers.

"Pension risk transfers can have significant implications for the financial security and responsibilities of different plan stakeholders," said [Ellen Kleinstuber](#), chairperson of the Pension Committee. "This new issue brief explores how pension risk transfers can affect different parties. Whether you're a plan participant, a plan sponsor, or a pension regulator or plan fiduciary, *Pension Risk Transfer* can

help you take stock of how other key stakeholders view pension risk transfer and what a risk transfer transaction might mean for you."

The issue brief examines risk transfer implications such as the possible merits and downsides of different options typically offered to plan participants; the potential risks, benefits, and other business considerations for sponsors, including the effects on plan participants and shareholders, and on sponsor costs and liabilities; and the responsibilities, including regulatory compliance concerns, of regulators and plan fiduciaries who serve or protect public or shareholder interests, respectively. ▲

November Webinar Will Cover Alternative Pension Cost

THE ACADEMY WILL HOST a webinar, "[Alternative Pension Cost—An Update and Review of Implementation Issues](#)," on Wednesday, Nov. 16, from noon to 1:15 p.m. EST. Presenters will review expense methodologies presented in the 2015 issue brief, [Alternatives for Pension Cost Recognition](#), which were also discussed in a webinar last November.

The presenters will be Bruce Cadenhead, vice chairperson of the Academy's Pension Committee; Tim Geddes, vice

chairperson of the Academy's Pension Practice Council; and Jerry Mingione, a member of the Pension Committee and an Academy Board member. It will be moderated by Ellen Kleinstuber, chairperson of the Pension Committee.

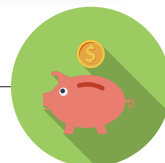
Topics expected to be discussed include:

- ➔ Developments relating to plans that use a bond matching approach to measure the benefit obligation;
- ➔ Application of the spot rate method to plans that pay interest-sensitive lump sums; and

- ➔ Roll-forward of liabilities and other implementation-related issues that arise with the spot rate method.

This is an especially timely webinar as these issues have garnered intensive recent interest from audit firms and the Securities and Exchange Commission (SEC). These topics will also be covered in forthcoming issue briefs.

The Academy believes in good faith that Enrolled Actuaries may earn 1.5 CPD non-core non-ethics credits under the JBEA rules for attending. [Register today](#). ▲



Intersector Group Releases Notes from IRS, Treasury, PBGC Meetings

THE INTERSECTOR GROUP released the notes of its September meetings with the [IRS and Treasury Department](#), and with the [Pension Benefit Guaranty Corp.](#)

The IRS/Treasury meeting covered guidance timing and priorities for 2017 mortality tables, which were posted in early September; other items that might be expected in the next six months; valuation of variable-annuity plans for funding; and suspensions under the Multiemployer Pension Reform Act of 2014 (MPRA).

The discussion topics for the PBGC meeting—which were submitted to the PBGC in advance—included proposed regulations on mergers and partitions, MPRA exclusion of certain contribution increases required by funding improvement and rehabilitation plans from withdrawal liability, MPRA partitions, an update on assumption review, 4010 filings, and viability of the PBGC multiemployer program.

In addition, PBGC representatives raised certain other issues:

- Regulation projects nearing completion include a final rule reducing late-premium penalties;
- PBGC is beefing up the 2017 premium instructions with new examples for mergers and spinoffs;
- PBGC representatives have noted an increase in employers contributing more than the minimum required amount for 2014 plan years and asked the Intersector Group what might be driving employers' funding decisions;
- PBGC is reviewing the risk transfer data reported in premium filings and expects to report on findings and share data in a few months;
- Congress is considering legislation that would authorize a special type of hybrid design for multiemployer plans called a "composite plan."

Pension Committee Comments to ASB on Proposed Modeling ASOP

THE PENSION Committee of the Academy's Pension Practice Council [submitted comments](#) to the ASB on the [third exposure draft](#) of a proposed actuarial standard of practice (ASOP) on modeling. It answered several ASB questions on a modeling standard, offering some suggestions and recommendations for clarifications.

To a question about the scope of the proposed ASOP excluding "simple" models,

which are defined in section 2.13, and whether the definition is sufficiently clear, the committee wrote it believes that having a definition of a simple model is appropriate and extremely important in limiting the proposed ASOP's applicability.

It offered specific comments on several sections of the proposal, while noting that the example of a "corporate financial planning model" typically being covered by the proposed ASOP is not clear.

The committee offered a variety of suggested clarifications for the ASB to consider.

Comments on Assessment and Disclosure ASOP

The Pension Committee, the Multiemployer Plans Subcommittee, and the Public Plans Subcommittee [submitted comments](#) to the ASB regarding the second exposure draft of the proposed ASOP, *Assessment and Disclosure of Risk Associ-*

ated with Measuring Pension Obligations and Determining Pension Plan Contributions.

The comments address ASB questions about risks, assessments, and state that ASOP No. 41 should be amended to incorporate these definitions and related disclosure provisions from ASOP No. 4. "In the meantime," it states, "we recommend incorporating the clarification from ASOP No. 4 into the proposed ASOP, including the appropriate definitions as required."



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Solvency Committee Submits Comments to IAIS, NAIC

THE SOLVENCY COMMITTEE [submitted comments](#) to the International Association of Insurance Supervisors (IAIS) on the *Risk-based Global Insurance Capital Standard Version 1.0* public consultation document dated July 19, 2016.

It addressed a number of questions about the market-adjusted valuation (MAV) approach; generally accepted accounting principles (GAAP) with adjustments, including default risk; margin over current estimate (MOCE); risk mitigation; management actions; lapse risk; premium and claims reserve risks; and catastrophe risk.

The Solvency Committee also [submitted comments](#) to the NAIC's Group Capital Calculation (E) Working Group on its *NAIC Staff Memo—Inventory Method Items with Questions* exposure draft, in which it answered a number of questions posed by the memo.

Inventory Method

The letter notes that the “inventory method” under consideration provides a basic starting place for looking at the entities that comprise a group, an approach that has the advantage of needing few new resources plus familiarity with the process on the part of both the preparer and the regulator.

The inventory approach, since it uses readily available data, could be performed efficiently but will not adjust to each company's specific situation, it states.



PENSION BRIEFS

- ➔ **Michelle Rubin** and **John Steele** have joined the Pension Accounting Committee.
- ➔ **Mark Shemtob** has joined the Pension Committee.
- ➔ **Scott Japko**, **Mark Shemtob**, and **Claire Wolkoff** have joined the PPC Forward Thinking Task Force.
- ➔ **Jeffery Harper**, **Scott Japko**, and **Jim Shake** have joined the Lifetime Income Risk Joint Task Force.

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