EAR
ENROLLED ACTUARIES REPORT

The *Enrolled Actuaries Report* is a quarterly publication of the American Academy of Actuaries.
www.actuary.org

VOL.35 NO.3 FALL 2010

Why Do Accountants Hate Us?

BY HAL TEPFER

TROJANS AND SPARTANS. Capulets and Montagues. Red Sox and Yankees. Over the years, there have been some intense rivalries. One that often is overlooked by the public, however, is one that is of great importance to our profession: actuaries and accountants. Maybe accountants are just jealous of how popular we are in the media. Maybe they are concerned that they have to pass so many fewer exams than we do to be credentialed. Maybe they are awestruck by our dynamic personalities. Whatever the reason may be, it would seem that accountants continually look for ways to annoy actuaries (professionally).

Over the past several decades, the accounting profession, through the Financial Accounting Standards Board (FASB), has produced some rules that have served to complicate the work that pension actuaries do, including Statement of Financial Accounting Standards (SFAS) 87, SFAS 132, SFAS 158, and other standards. Accountants even have changed the way they require us to refer to their rules, changing, for example, SFAS 35 to Accounting Standards Codification (ASC) 960.

The most recent battlefield between the two professions is—surprisingly—the world of multiemployer pension plans.

The FASB published an exposure draft on Sept. 1 that will change the way that companies participating in multiemployer plans will have to report their (financial and other) involvement in these plans. The multiemployer community is concerned about the implications of the proposed new rules, which most likely will be implemented. The discussions that are going on in that community are beyond the scope of this article. Instead, I will summarize the rules and describe what they could mean for multiemployer pension actuaries.

A quick refresher on what "employer"

MULTIEMPLOYER PLANS, PAGE 8 ›

Inside this issue

Barr Named to Social Security Technical Panel

JANET BARR, chairperson of the Academy's Social Insurance Committee and an associate actuary at Milliman in Chicago, has been appointed by the Social Security Advisory Board to serve on its 2011 technical panel. The panel, composed of economists, demographers, and actuaries, reviews the assumptions and methods used by Social Security's trustees in their annual reports on the long-term finances of the Social Security system. The board previously convened technical panels in 1999, 2003, and 2007.

The 2011 Technical Panel on Assumptions and Methods will be chaired by Brigitte Madrian, the Aetna Professor of Public Policy and Corporate Management at the John F. Kennedy School of Government at Harvard University. Other panel members include John Bongaarts, vice president and distinguished scholar at the Population Council; Mark Duggan, professor of economics at the University of Maryland; Melissa Favreault, senior research associate at

BARR APPOINTMENT, PAGE 2 ›

Janet Barr has been appointed to the Social Security Advisory Board's 2011 technical panel.

Letter to the Editor

Changing PPA Interest Rates

I WOULD LIKE TO EXPAND ON JAMES KENNEY'S **article** about the 2010 Gray Book that appeared in the summer issue of the *Enrolled Actuaries Report*. It should be noted that Question 3 from the 2010 Gray Book was not simply a recitation of changes in interest rates allowed by final regulations. If you read the paragraph containing the phrase "require approval" in the preamble to the final Pension Protection Act regulations on Internal Revenue Code Sections 430 and 436 released in October 2009 and look for the word "any" in Section 1.430(h)(2)-1(e)(1), it would be easy to think that only one automatically approved election for interest rates could be made after 2009. The two elections in Question 3 include using a month other than the latest for segment rates and using the full yield curve. When I asked the Internal Revenue Service (IRS) about this, however, it said that using one of the four look-back months for segment rates for the first post-2009 election does not stand in the way of making an election to use the full yield curve later. This is in accordance with a similar comment in the preamble's explanation of provisions. Plans may elect to use the full yield curve without approval from the IRS for 2010 or any subsequent plan year, but changing from the full yield curve to segment rates after 2010 would require approval. If a plan uses segment rates in 2010 without electing to use one of the four look-back months, it may later make one look-back month election without approval from the IRS; any subsequent change in the look-back month would require approval, but electing to use the full yield curve would not. The IRS has informally indicated that it would allow one post-2009 look-back election *and* one such yield curve election, each receiving one automatic approval. It does not consider the use of segment rates in 2010 without any look-back for 2010 to be an election at all.

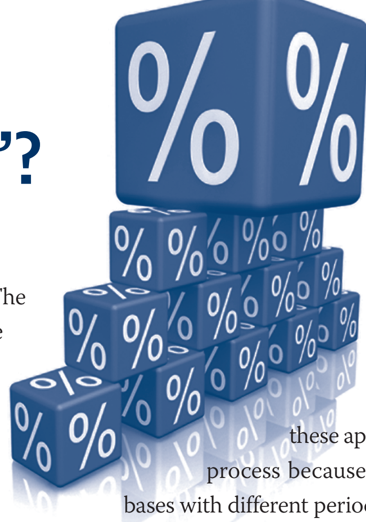
TOM SCHRYER
WILLOUGHBY HILLS, OHIO

‹BARR APPOINTMENT, FROM PAGE 1

the Urban Institute; Timothy Marnell, consulting actuary and formerly a senior actuary at Towers Perrin; S. Philip Morgan, professor of sociology and Schaeffer Professor of International Studies at Duke University; John Sabelhaus, senior economist at the Investment Company Institute and adjunct lecturer in the Department of Economics at the University of Maryland; Andrew Samwick, Irving Professor of Economics and the director of the Nelson A. Rockefeller Center for Public Policy and the Social Sciences at Dartmouth College; and Karen Woodrow-Lafield, research professor and faculty associate in the Maryland Population Research Center at the University of Maryland. The technical panel will meet in Washington from October 2010 to June of 2011 and make its final report shortly thereafter.

How Do You Spell "Relief"?

BY JAMES A. KENNEY



HOWEVER IT'S SPELLED, I'm not sure this bill is it. The pension funding relief portion of the Affordable Health Care for America Act (H.R. 3962) clearly is designed to provide cash-strapped employers with an opportunity to defer some portion of their otherwise required minimum contributions under Code Section 430. The bill specifically allows employers to stretch out the amortization of their shortfall amortization bases developed in two of the years during the 2008–2011 period. This can be welcome news—especially for sponsors of frozen plans, for which the shortfall amortization installments are the driving component of the minimum required contribution.

Plan sponsors have two methods to choose from if they decide to take advantage of this second attempt by Congress to shield companies from the terrible effects of the Pension Protection Act's required seven-year amortization of underfunded pension plans. Perhaps in 2006, when that bill was passed, seven years seemed like a reasonable enough period to push plans toward full funding: The stock market was high, interest rates were high (at least in comparison with today's levels), and the Pension Benefit Guaranty Corp. was seen as threatened by the chronic underfunding permitted by prior law. But today, two years after the collapse of Lehman Brothers, liabilities have become much larger because interest rates are extremely low, and assets are much lower due to the stock market crash. As a result, seven-year amortization of the difference seems like a pipe dream. The relief bill allows either 15-year amortization or two years of "interest only" payments followed by seven-year amortization.

To the extent that an employer is facing steep contribution requirements and has cash flow problems, this bill could provide significant relief. As usual, the devil is in the details. Relief from the amortization rules is available for four years only, two of which are now over for calendar-year plans, because the relief must be elected before the due date of the final contribution applicable for the plan year. This means that most employers will focus on implementing the new rules during the 2010 and 2011 plan years. This probably is the best way to take advantage of the relief, given that 2010 is the first year in which 100 percent of the funding target must be used to determine the funding shortfall (up from 96 percent in 2009). In addition, interest rates have continued to fall, which means that for most plans liabilities have risen considerably since 2009.

A problem with the "2+7" approach (two years interest only, followed by seven-year amortization) is that the "interest only" portion must be calculated using the plan's effective interest rate for the year, which generally is much higher than the segment rates for the next seven years. This means that the sponsor will be paying as much as 2 percent more interest in the first two years than would be the case under the seven-year approach. Even so, this approach will lower the shortfall amortization installment for 2010 to about 35 percent to 40 percent of what it would have been.

Use of the 15-year amortization would reduce the 2010 installment to approximately 60 percent of what it would have been. The 15-year amortization also avoids the effective interest rate problem. The amortization will continue much longer, however, and the immediate cash flow relief will be lower than under the 2+7 approach. Using either of these approaches will complicate the valuation process because the actuary must maintain separate bases with different periods and treatments. This may not be an issue in 2010, but it gradually will become more of one as the next few valuations are performed. The additional complexity more likely will affect small plans in which the savings obtained will be low relative to larger plans, and the additional work will be more costly as a percent of the overall valuation cost.

These rules must be applied on a consistent basis in the years when an election is made. That means that sponsors can't use the 2+7 approach in 2010 and the 15-year amortization approach in 2011. To the extent that the enrolled actuary is assisting the client in making the decision on how to obtain the most effective reduction in contribution cash flow over the next several years, this requirement may mean that the 2011 valuation results must be anticipated when developing a recommendation to the plan sponsor, rather than considering 2010 on its own. This again means more fees in an environment when many plan sponsors have become fee resistant.

Another problem associated with these rules is that the actuary probably already has performed the 2010 valuation. This would have to be revised to take advantage of the relief offered—at an additional cost to the client. If the relief is significant, this may not be a factor; if the relief is marginal, the consulting fees associated with trying to maximize the advantage of using the relief may be a significant deterrent.

The most difficult issues associated with this bill are the provisions concerning "excess compensation, extraordinary dividends, or stock redemptions." If a plan sponsor triggers these provisions, then the installments are accelerated to a degree that may greatly exceed the original installments. "Excess compensation" is defined as aggregate income for any employee over $1,000,000 but may include amounts set aside for nonqualified deferred-compensation plans and exclude commissions. The definition of extraordinary dividends is equally complicated. These provisions must be applied on a controlled group basis, so it may not necessarily be obvious to the actuary whether acceleration has been triggered for the plan. The rules regarding excess compensation, extraordinary dividends, and stock redemptions may make this relief essentially unavailable for large plans whose sponsors are members of a controlled group. I found these rules extremely difficult to grasp; it seems clear that if they come into play, the consequences could be quite onerous.

This bill may provide significant relief for a number of plans, but it also contains pitfalls and will require a serious analysis in many cases if the plan sponsor wants to take maximum advantage of it.

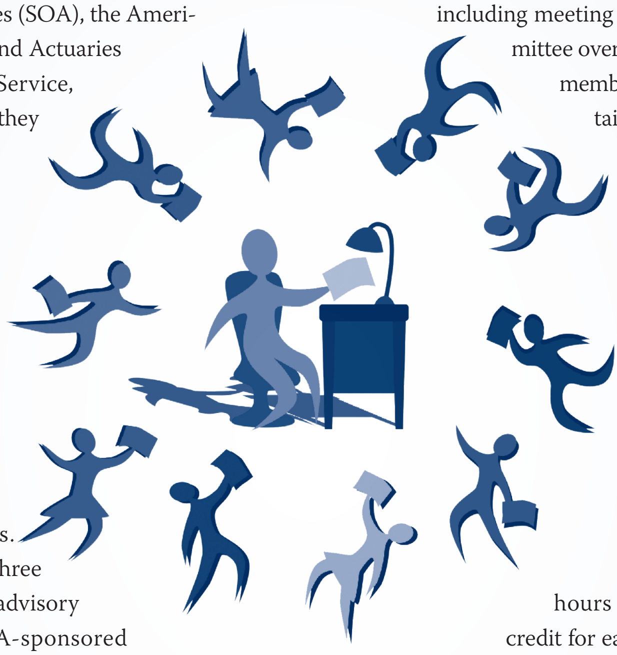
JAMES A. KENNEY, *a pension consultant in Berkeley, Calif., is a contributing editor for the* EAR.

JBEA Advisory Committee Seeks Applicants

BY CARL SHALIT

DO YOU KNOW WHO DEVELOPS THE EXAMINATIONS you must pass to become an enrolled actuary? During the early years after the Employee Retirement Income Security Act was passed in 1974, that responsibility fell to the members of the Joint Board for the Enrollment of Actuaries (JBEA). It soon became apparent, however, that substantial private-sector assistance was needed to develop the exams. As a result, the JBEA chartered the Advisory Committee on Actuarial Examinations in 1976.

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



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

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

The two-year term of the current advisory committee members ends on Feb. 28, 2011. At this time, it is not known how many of the current members will choose to reapply. Renewal, however, is not automatic. When forming the new committee, the JBEA looks for a broad cross section of actuaries with both large- and small-plan experience to ensure that the examinations reflect the skills necessary for the defined benefit marketplace.

The JBEA is now seeking applications from enrolled actuaries who are willing to volunteer substantial time and effort on behalf of the enrolled actuary community through service on the 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-2(A); pension law in EA-2(B).

Applicants also must be interested in the academic side of the enrollment process and must be willing and able to participate in the scheduled meetings. The advisory committee meets four times a year—twice in Washington (in January and in late June or early July) and twice in other cities (in late April and in late October). Members are reimbursed for travel expenses incurred, in accordance with applicable government regulations. Portions of the two Washington meetings, which generally last two full days, are devoted to pass mark setting and discussion of public agenda issues related to the enrollment examinations.

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

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

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

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

Joint Board for the Enrollment of Actuaries
c/o Office of Professional Responsibility SE:OPR
Internal Revenue Service
1111 Constitution Avenue, N.W., Room 7238
Washington, D.C. 20224.

The JBEA will consider all applications received by Nov. 30, 2010. If you have questions about the advisory committee, contact Patrick W. McDonough, executive director of the JBEA, at (202) 622-8225 or me at (978) 745-9939.

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

WWGAD?
What Would the Good Actuary Do?

BY BRUCE C. GAFFNEY

TWO PROFESSIONALISM-RELATED SESSIONS at the 2010 Enrolled Actuaries Meeting combined to provide a mini-symposium on actuarial ethics and the Employee Retirement Income Security Act's (ERISA) fiduciary rules. Session 602 (Ethical Dilemmas) was presented by David Godofsky, Rich Hochman, and Paul Zeisler; Session 702 (How Not to Be a Fiduciary) featured David Godofsky, Andrew Oringer, and Paul Zeisler. Both sessions used case studies to present thought-provoking questions based on real-life challenges faced by actuaries. The issues were explored in great depth and from many angles through debate among the speakers and extensive participation from the audience.

Session 602 examined three hypothetical case studies. In the first, an actuary agreed to perform cost projections for two defined benefit plans; on one he serves as the plan's actuary (i.e., he signs the plan's Schedule SB), and on the other he does not. During the course of the project, the actuary becomes concerned that the assumptions used to value the plan for which he does not serve as signing actuary seem overly optimistic. The actuary believes that plan's funded status is much worse than has been calculated by its current actuary. What should the actuary do?

Discussion of this case study included an analysis of the differing perspectives and motivations of various interested parties. The ramifications of different options the actuary might pursue—from resigning the assignment to producing reports that cause consternation for the actuary and plan sponsor alike—also were examined.

The other case studies involved ethical issues related to an actuarial firm's advocacy of an innovative—but controversial—plan design and the ethical conundrum that can arise with respect to the timing of adjusted funding target attainment percentage certification.

Session 702 began with a helpful general review of the fiduciary rules under ERISA, along with a concise summary of the rules that are most important to actuaries.

The first case study considered an actuary who is uncertain about the appropriateness of a pension plan's investment policy and how she might proceed. In this case, the actuary is concerned that a cash balance plan could encounter technical difficulties in the event of either especially poor *or* especially favorable investment performance. The plan's assets, however, are heavily weighted toward equities and, thus, likely to experience volatile returns. The actuary is not an investment adviser. How can, should, or must she communicate her concerns to the plan sponsor?

The other case studies in Session 702 addressed how an actuary should handle information gleaned from a source other than the plan sponsor, information that may affect a project and situations in which an actuary must take care to avoid the role of de facto investment adviser.

These two sessions provided valuable insight into how an actuary should address ethical issues—and the steps an actuary should take to avoid being considered a fiduciary with respect to the plans for which he or she provides services. Recordings of these sessions are available for purchase on the Enrolled Actuaries Meeting website.

BRUCE GAFFNEY *is a principal and consulting actuary with the Benefits Consulting Group of Ropes & Gray LLP in Boston. He is also a member of the Joint Program Committee for the Enrolled Actuaries Meeting and a contributing editor of the* EAR.

Schedules SB/MB Need Guidance and Clarification

The Academy's Pension Committee sent a letter to the Internal Revenue Service and Department of the Treasury over the summer with comments on areas in which the 2011 schedules SB and MB instructions and forms may need clarification or modification.

The letter specified several line items in both Schedule SB and Schedule MB that the Pension Committee and its Multiemployer Subcommittee believe could benefit from supplemental guidance, instructions, or clarification. The Pension Committee also requested additional guidance on interest rates for calculating the shortfall amortization installment when using the full yield curve to generate the funding target on the Schedule SB. In addition, the committee requested that enrolled actuaries have the option to use electronic signatures when signing the schedules SB and MB.

The 60/40 Allocation and Pension Plan Assets

BY STUART SCHULMAN

RETIREMENT ACTUARIES AND OTHER PENSION PRACTITIONERS in the United States have seen both fundamental changes in the pension funding rules and changes in accounting rules that affect sponsors' balance sheets. These changes represent a continued movement toward marking to market and increased transparency for pension plan stakeholders. As a consequence, the traditional approach to investing pension plan assets also has changed. Plan sponsors have come to understand that there is a link between pension plan assets and obligations, the financial risks they pose in terms of cash flow, profit and loss (P&L), and the corporate balance sheet and the human resources risks under the Pension Protection Act.

Traditional Approach

Some of us are old enough to remember the good old days—the mid-1980s—when MTV actually played music videos. Pension plans back then were seen as long-term obligations intended to reward a company's career employees. (Remember those?) Actuarial assets could be smoothed for up to five years, gains and losses were amortized over 15 years, and liabilities were discounted at the long-term rate of asset return. Enrolled actuaries were empowered to use their best estimates of interest and mortality, and could employ several rational cost methods that further served to smooth contribution requirements.

Many sponsors utilized a 60/40 allocation investment approach—that is, plan assets were invested approximately 60 percent in equities and 40 percent in bonds. Reasons for employing this approach included:

- ➜ The universe (market capitalization) of equities and bonds was approximately 60 percent/40 percent (except for slight deviations after events such as the market crash of 1987);
- ➜ Other institutional investors employed a 60/40 allocation, and there was perceived safety in numbers (due to the "prudent man" rules for fiduciary obligation);
- ➜ Sponsors needed to invest 60 percent in equities to achieve the "liability return" implied in the valuation interest rate.

Most pension investment portfolios were constructed to maximize asset returns rather than *surplus* (assets net of liabilities) returns, because the goal was to exceed the actuarial assumed rate of return. Concern over investment risk was de-emphasized because of liberal amortization rules and the expectation that any losses would be made back over the long pension investment horizon. In addition, interest rate risk generally was not considered; measured liabilities did not fluctuate with changes in market interest rates since liabilities were discounted at a long-term rate of return.

Evolving Challenges

Fast-forward to the 2010s. On MTV, "Jersey Shore" means Snooki and The Situation—not Springsteen and Southside Johnny. In the world of pension finance:

- ➜ Plan sponsors now cannot afford to treat pensions as long-term arrangements independent of the sponsor since corporations themselves may get merged or go bankrupt; pension funding rules also preclude it. To invest for the long term, an investor must survive a series of short terms;
- ➜ Pension assets and liabilities now are incorporated onto the balance sheet, with the trend toward greater impact on the P&L statement;
- ➜ Accounting and funding rules require the reporting of liabilities that more closely reflect a marked-to-market basis. As a result, the timing of investment losses (or liability increases or both) is likely to coincide with a requirement to increase cash contributions.

In these changing times, since each plan's (and each plan sponsor's) risk profile is unique, traditional pension plan allocations, such as a 60/40 allocation, may no longer be prudent. Higher allocations to fixed income and exposure to newer classes of investments may be appropriate for many sponsors. Sponsors are using the following principles to address these evolving challenges and make prudent asset allocation decisions:

- ➜ Diversification—Sponsors increasingly are using more and different asset classes as capital markets evolve and these newer classes (such as real estate and hedge funds) become more accessible. To the extent that assets are allocated neither to bonds nor equities, this moves sponsors away from a traditional 60/40 mix.
- ➜ LDI and risk management/budgeting—The principles of liability-driven investing (LDI) are understood more widely. Interest rate risk is recognized explicitly and managed (among other ways) by lengthening bond duration. Interest hedge ratios can be increased

LIABILITY-DRIVEN INVESTMENTS, PAGE 7 ›

IRS Issues Two Pension Relief Implementation Notices

Editor's Note: The following was taken from an Academy Alert sent to Academy members in August.

THE INTERNAL REVENUE SERVICE recently published IRS Notice 2010-55 and IRS Notice 2010-56, providing guidance on the implementation of funding relief provisions of the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act [Pub. L. No.111-192].

IRS Notice 2010-55 describes the funding rules sponsors of single-employer defined benefit pension plans can use to make up for funding shortfalls. The notice provides guidance on filing Form 5500 and Schedule SB for single-employer defined benefit plans for plan sponsors that are considering use of the special funding rules under Section 430(c)(2)(D) of the Internal Revenue Code, as added by Section 201(b)(1) of the Act. New Section 430(c)(2)(D) permits a plan sponsor to reduce a plan's minimum required contribution for certain years by electing to use an alternative shortfall amortization schedule. This notice also describes anticipated future guidance that will apply to sponsors of single-employer defined benefit pension plans with respect to an election to use these special funding rules.

IRS Notice 2010-56 pertains to the special funding rules for multiemployer defined benefit plans. It provides guidance on filing Form 5500 and Schedule MB for multiemployer defined benefit plans for plan sponsors that are considering use of the special funding rules under Section 431(b)(8) of the Internal Revenue Code, as added by section 211(a)(2) of the Act, for a plan year for which the Form 5500 (and Schedule MB) is filed. This notice also describes anticipated future guidance that will apply to sponsors of multiemployer defined benefit pension plans with respect to the special funding rules under Section 431(b)(8).

‹LIABILITY-DRIVEN INVESTMENTS, FROM PAGE 6

by investing in more and longer bonds. This reduces the surplus risk of a plan. A duration mismatch between assets and liabilities creates interest rate risk that is not compensated. Sponsors are beginning to understand that, in general, they should limit their risks to those they will be rewarded for taking.

- Dynamic de-risking—More plan sponsors are recognizing that asset allocations should change based on specified trigger points—which are commonly a plan's funded status or interest rate levels. Current law makes surplus assets in a pension plan inaccessible beacuse of large excise taxes on reversions. Risk-taking in a well-funded plan is not compensated, as the upside would become stranded surplus. And therefore, as a plan's funded status improves, it pays for sponsors to lock in their funded status (de-risk). Bonds that match the characteristics of the liabilities can play an important role in immunizing the liabilities. (Other synthetic strategies, such as interest swap overlays, are also available.)

With pension plan assets and liabilities now being recognized as part of an enterprise's capital structure, chief financial officers and investment managers must handle the pension plan's effect on the bottom line as part of enterprise risk management. Exposure to alternative asset classes, asset-liability management studies, and frequent monitoring—monthly or even daily—are key risk-management tools. Investors and consultants also are using more sophisticated models that both reflect that asset returns are not normal and show the various asset classes' sensitivities to interest-rate swings. Investment managers who have lived through the 1987 market crash, the bursting of the 2000–2002 dot-com bubble, and the 2008–2009 economic meltdown have learned that once-in-a-generation market events happen more than once in a generation. They've also learned that well-diversified portfolios may not provide adequate protection in the event of extreme market stresses (tail events or black swans). Using risk-management tools, sophisticated models, and other 21st-century methods, rather than a naive 60/40 asset allocation, will help manage risk more effectively.

Practitioners wanting to explore these issues in greater depth should read the article by Michael Peskin and Chad Hueffmeier, "The Emerging Pension Paradigm—Part 1," originally published in the November 2006 edition of Morgan Stanley's *Investment Management Journal* and available online at www.morganstanley.com/im/resources/mkinsights/pdfs/2006_v2_i2_msim_journal.pdf.

STUART SCHULMAN *is a director and consulting actuary with Buck Consultants in New York.*

Important Information for Enrolled Actuaries Regarding Preparer Tax Identification Numbers

Editor's Note: The following was taken from an Academy Alert sent to Academy members in August.

ON MARCH 26, the Internal Revenue Service (IRS) issued proposed regulations that offer guidance to tax return preparers applying for and regularly renewing their preparer tax identification number (PTIN). According to the IRS, PTINs help the IRS process returns and issue refunds accurately and in a timely manner, centralize information, post information to the correct taxpayer's account, and effectively administer the rules relating to tax return preparers. With an update posted on July 20, information specific to how the proposed regulations would affect enrolled actuaries can be found on the "Frequently Asked Questions" section of the IRS website.

Enrolled retirement plan agents and enrolled actuaries must obtain a PTIN if they are compensated for preparing, or assisting in the preparation of, all or substantially all of a federal tax return or claim for refund. Enrolled actuaries and enrolled retirement plan agents will be exempt from the continuing education requirements and will be exempt from the competency test requirement if they prepare returns only within the limited practice areas of these groups.

The tax professionals' page of the IRS website has more information: www.irs.gov/taxpros/article/0,,id=210909,00.html.

‹MULTIEMPLOYER PLANS, FROM PAGE 1

means in the multiemployer world is a good place to start. In simple terms, a multiemployer plan is a plan into which signatories (that is, employers) to a collective bargaining agreement have agreed to make contributions covering that employer's union participants. The FASB's exposure draft will apply to employers that have made this commitment. If the employer is a public company, the rules will begin for the plan year ending after Dec. 15, 2010. For a plan that is on a calendar year, for example, that means the year ending Dec. 31, 2010. If the employer is not public, the implementation date for the new rules is Dec. 31, 2011.

The rules will require employers to state detailed financial and descriptive information about the multiemployer plan in the footnotes to the employer's financial statement. This information includes:

- The plan's assets and liabilities;
- The employer's involvement in the plan (for example, does the employer have a representative on the plan's board of trustees?);
- The employer's share of the total contributions from all employers that contribute to the plan;
- The likelihood that the employer will be responsible for obligations of other employers (a situation could arise if another employer withdraws from the plan and does not have the financial ability to pay its withdrawal liability);
- The employer's withdrawal liability to the plan (see the fall 2009 *Enrolled Actuaries Report* to learn more about withdrawal liability);
- If the plan is "endangered," "seriously endangered," or "critical" (in the yellow, orange, or red zone), as defined in the Pension Protection Act of 2006;
- The expected increases in contributions if the plan is in the yellow, orange, or red zone.

The exposure draft states that this information is required only if it is "readily attainable." I suppose the lawyers will want to provide some guidance to funds about what readily attainable means. It would appear, however, that most of the items listed above are routinely produced by the fund's actuary, and those that are not are determinable.

In addition, similar information will be required of postretirement medical plans. Actuaries who specialize in pension plans routinely perform valuations on these plans. This information, however, can be difficult to obtain for postretirement medical plans because:

- The concept of "withdrawal liability" has no meaning to such plans;
- Postretirement medical plan funding is uncommon in the multiemployer world, so a large liability (computed under the Statement of Position 92-6 for multiemployer plans) has no asset offset;
- These plans often are designed to have no vested benefits, which allows plan sponsors and boards of trustees to eliminate future benefits without financial consequence (unlike pension plans that have the Internal Revenue Service, Pension Benefit Guaranty Corp., and Department of Labor ensuring their future existence).

The rules themselves are—at the time of this writing—in exposure form and could change before implementation later this year. Experience indicates that a change to the exposure is unlikely. The deadline for comments is Nov. 1. Any changes to the exposure are expected to occur soon after that date.

It would appear, therefore, that the accounting profession is determined to have pension actuaries perform additional calculations or have additional discussions regarding a type of plan that has previously avoided such requirements. And, for pension actuaries, it's important that we follow the rules set forth so that employers that participate in multiemployer plans can receive the information that the FASB requires.

I can't help but wonder, though, if this would have happened if accountants weren't so envious of all the media attention we get.

HAL TEPFER, *principal for the Savitz Organization of Massachusetts in Newton, Mass., is a contributing editor of the* EAR.