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Guiding Actuarial Communications

THE RECENTLY RELEASED REVISION of Actuarial Standard of Practice (ASOP) No. 41, *Actuarial Communications*, brings important changes to guidance covering how actuaries communicate their work to intended users. The revised standard, which was adopted by the Actuarial Standards Board (ASB) in December, is effective for actuarial communications issued on or after May 1, 2011.

"Most of what is in ASOP No. 41 is common sense and appropriate practice," said Tom Custis, chairperson of the ASB's General Committee, which developed the revised standard. "I don't believe there is anything that materially changes what you should disclose. It just makes it more specific."

Custis, recently retired after 30 years as a pension actuary, said that the committee's goal wasn't to materially change what most actuaries are doing, but to clarify what is good practice. ASOP No. 41 is intended to help actuaries comply with the Code of Professional Conduct when communicating (by written, electronic, or oral means) to clients, employers, regulators, policyholders, plan participants, investors, and other users of their actuarial services.

Actuarial communications have evolved in recent years, Custis explained. An actuarial report today isn't necessarily a single formal document. Actuarial communication, particularly in the pension field, has become an ongoing, interactive process. Parts of the picture may be communicated at different times and in various forms, including e-mails and PowerPoint presentations. ASOP No. 41 directs the actuary to identify all applicable documents used to satisfy the disclosure requirements of an actuarial report.

The standard also makes it clear that the actuary is responsible for all actuarial assumptions and methods used in producing the actuarial communication, unless he or she discloses otherwise.

Tom Custis was the chairperson of the ASB General Committee that developed the revised ASOP No. 41.

"Actuaries, particularly pension actuaries, sometimes are required to use assumptions or methods specified by statutes or regulations, such as the

ASOP 41, PAGE 7

Inside this issue

2 Academy Comments on Hybrid Plans

2 New Pension E-Guide Aids Actuaries

2 Register Now for the EA Meeting

3 Relief Act Offers Little Relief

6 Pension Transparency Act Reintroduced

GORDON ENDERLE

Comment Time (Again!)

MUCH HAS CHANGED in the recently released exposure draft of Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. The revisions encompass changes in language on such issues as assumptions, discount rates, and investment returns. The revisions will be discussed in detail at the Enrolled Actuaries Meeting at the end of March. With a comment deadline of April 30, 2011, actuaries shouldn't wait too long to look under the hood of this exposure draft.

ASOP No. 27 has been at the center of a lot of debate within the actuarial and broad pension plan community over the past few years. When the Actuarial Standards Board (ASB) requested comments on the current ASOP No. 27 in March 2008, it received 33 comment letters reflecting a diversity of viewpoints. In October 2008, the Academy's Board of Directors requested that the ASB develop standards for consistently measuring the economic value of pension plan assets

ASOP 27, PAGE 6

EAR

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STU SIRKIN

Undesirable Consequences

SOME OF THE PROPOSED REGULATIONS for hybrid retirement plans may lead to undesirable consequences or unintended results, the Academy's Pension Committee told the Internal Revenue Service (IRS) in a Jan. 12 **letter.**

The committee's comments came in response to the proposed regulations for hybrid retirement plans issued by the IRS on Oct. 19, 2010. The regulations would provide guidance on changes made by the Pension Protection Act of 2006, as amended by the Worker, Retiree, and Employer Recovery Act of 2008.

In its Jan. 12 letter, the committee responded to a series of questions posed by the IRS, and raised several issues of concern. Some of the committee's more significant comments include the following:

➜ Nondiscrimination Testing

The committee pointed out the problems caused by having to use an interest rate between 7.5 and 8.5 percent for normalization calculations when conducting the nondiscrimination test. If a plan's interest crediting rate is a reasonable market rate of return, the plan should be able to use that crediting rate for purposes of projecting and discounting in all normalization calculations.

➜ Backloading

The committee asked the IRS to consider allowing a plan to test for backloading using a single, long-term interest rate. The committee also noted the need under the fractional rule for a design-based safe harbor, such as a minimum benefit determined using a reasonable assumption for the future interest crediting rate.

➜ 411(a)(9) Requirement

Under the Internal Revenue Code Section 411(a)(9), the normal retirement benefit must equal the greater of the early retirement benefit or the benefit commencing at normal retirement age. The committee urged the IRS not to take the position that the plan must keep track of the annuity potentially payable at every possible commencement date. The committee offered several alternative approaches that still protect the participants' reasonable expectations.

HYBRID PLANS, PAGE 7 ➜

2011 Enrolled Actuaries Meeting

March 27-30
Marriott Wardman Park Hotel in Washington

The 36th annual Enrolled Actuaries Meeting will feature more than 50 different sessions covering a wide range of topics and issues relevant to enrolled actuaries and other pension professionals.

The general sessions will cover:

- ➜ Case Studies in Professionalism and Actuarial Standards of Practice
- ➜ Public Plan Funding—an Emerging Crisis
- ➜ Defined Benefit Plans: The Fall and the Rise

Additional sessions are available before and after the meeting, including:

- ➜ Professional Standards Seminar on March 27
- ➜ Consulting Skills Seminar on March 30
- ➜ 2011 Pension Symposium: Retirement Security—A Call to Action on March 30-31

It's not too late to register. More information is available at **www.enrolledactuaries.org.** The EA Meeting is sponsored by the Academy and the Conference of Consulting Actuaries.

New Pension E-Guide

The Academy's **Public Pension Plans Actuarial E-Guide** launched in late February to provide easy access to information about pension issues. The e-guide has links to policy papers, news releases, articles, and events and will be of interest to actuaries in all practice areas, policymakers, and others who follow the issue. It can be accessed from the pension page on the Academy website.

HAL TEPFER

Relief of Relief Ain't a Relief

IT'S LIKE ONE OF THOSE NONSENSICAL KID'S RIDDLES: "When is relief of relief not a relief?" The answer: "IRS Notice 83-2010." Over the past several months (beginning in June 2010, with the enactment of PRA 2010—the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 [PPA or Relief Act for short]), Congress and the Internal Revenue Service (IRS) have implemented changes to the Internal Revenue Code (IRC) intended to help reduce the financial problems that pension plans (both single and multiemployer) incurred during the economic downturn in 2008 and 2009.

IRS Notice 2010-56 (Special Funding Rules for Multiemployer Plans under PRA 2010) came out in late July 2010 and indicated (I'm summarizing here): "Watch this space." Notice 2010-56 also allowed plan sponsors to elect PRA 2010 relief for a given plan year, even if Form 5500 has been filed. So, we had a bit of relief from the relief.

Just after Thanksgiving, when most actuaries were still in a tryptophan-induced haze, the IRS issued Notice 2010-83 (Funding Relief for Multiemployer Defined Benefit Plans Under PRA 2010), clarifying many of the provisions of the Relief Act that had puzzled some actuaries. On the positive side, Notice 2010-83 was constructed in a question-and-answer format, which offered an easy-to-follow approach to the application of PRA 2010. On the negative side, with calendar year-end approaching, actuaries had about a month to interpret, and work with their clients, to apply some of the provisions of the "relief of the relief." Although the notice resolves a number of issues as to how the funding relief applies, putting the steps it outlines into action is anxiety-provoking, since the notice contains deadlines that will be a challenge to meet. For example, calendar-year plans that don't take action by the end of March 2011 will lose the opportunity to take advantage of funding relief.

To help actuaries handle these changes, the Academy presented a webinar in February, "A Look at IRS Guidance Notice 2010-83 Funding Relief for Multiemployer Defined Benefit Plans under the Pension Relief Act of 2010"(an early contender for the longest name for an actuarial webinar title).

PRA 2010

It's no secret that economic problems during 2008 and 2009 affected the assets of most pension plans, both single and multiemployer. PRA 2010 addressed the asset losses that multiemployer plans suffered by giving plan trustees the ability to elect longer periods to recognize and fund any investment losses incurred during 2008 and 2009.

PRA 2010 outlined three broad approaches to minimizing losses during those years:

1. Using a 29-year amortization of 2008/2009 net investment losses for the minimum funding standard account (instead of the prescribed 15-year period);
2. Extending the smoothing of investment losses incurred during 2008/2009 to up to 10 years (instead of five years, as described in Revenue Ruling 2000-40);
3. Raising the upper limit on the actuarial value of assets corridor to 130 percent of market value for up to two years after the initial investment loss was incurred (instead of the 120 percent upper limit from Revenue Ruling 2000-40). Note that the 80 percent lower limit was not affected by the Relief Act.

A plan can elect to use all or any combination of the three options.

Applying any or all of these provisions may have the effect of pushing some plans that would have been in endangered (yellow) status for 2010 into safe (green) status for the year, and could result in a similar change over the next five to 10 years. Other plans might use the relief to modify the terms of their rehabilitation or funding improvement plan.

But the ability to adopt relief came with two significant limitations:

1. The plan has to be solvent (the plan actuary has to demonstrate that the plan is projected to have sufficient assets to pay expected benefits and expenses over the relief period). The length of the solvency test is important and was clarified in Q&A S-1 of Notice 2010-83. The period that applies is the period beginning with the plan year in which the solvency certification is made:

Rule being used		Solvency period ends the last plan year…
Special Asset Valuation Rule?	Special Amortization Rule?	
Yes	No	…in the 10-year period over which the change in unfunded accrued liability attributable to the change in asset valuation method is amortized.
No	Yes	…in the 30-plan-year period beginning with the eligible loss year.
Yes	Yes	…in the 30-plan-year period over which the change in unfunded accrued liability attributable to the change in asset valuation method is amortized.

2. Benefit increases during the period of relief are restricted. In particular, a plan amendment that increases benefits can't become effective during either of the two plan years following a year for which relief is elected, unless:
   a. The plan actuary certifies that the increase is paid for out of

RELIEF ACT, PAGE 4

additional contributions not allocated to the plan immediately before the plan's application of the special amortization rule or the special asset valuation rule, and that the plan's funded percentage and projected credit balances for those two plan years are reasonably expected to be at least as high as they would have been if the benefit increase had not been adopted; or

b. The amendment is required as a condition of qualification under the code or to comply with other applicable law.

Each of the three relief provisions and both of the two restriction provisions sparked debate among multiemployer actuaries after the initial enactment of PRA 2010; Notice 2010-83 clarified some of the questions that PRA 2010 had created.

Notice 2010-83

The 24 pages of Notice 2010-83 contain an enormous amount of information for multiemployer plan actuaries and provide direction about the manner in which PRA 2010 should be interpreted and applied. While providing "relief of the relief," the notice still didn't relieve all anxiety on the part of actuaries and plan sponsors. Many of the rules outlined in the notice are fairly complex and require a thorough review.

Extended Amortization Period for Eligible Net Investment Losses

During the webcast, the panel presented several examples that walked participants through a step-by-step approach to determining the impact of amortizing the investment losses for purposes of the funding standard account. Highlighting the complexity of the calculation, the presenters outlined the following steps, each of which was accompanied by a fragment of a spreadsheet demonstrating the mathematics involved.

Step 1: Determine the eligible net loss.

Step 2: Calculate the actuarial value of assets under the current asset method.

Step 3: Create a hypothetical actuarial value of assets assuming no 2008 loss.

Step 4: Determine the portion of the eligible net investment loss recognized in the funding standard account (using the actuarial value of assets method) in the initial year after the eligible net investment loss was incurred.

Step 5: Decide between "prospective" and "retrospective" methods for future eligible net investment loss recognition.

Then, follow either the *prospective approach*:

Step 6: (prospective method) Project the market value of assets assuming the valuation rate return each year after the eligible net investment loss is established.

Step 7: (prospective method) Determine the portion of the eligible net investment loss recognized in future plan years.

or the *retrospective approach*:

Step 6: (retrospective method): Use the actual market value of assets and calculate the actuarial value of assets as it emerges.

Step 7: (retrospective method): Determine the portion of eligible net investment loss recognized in each plan year.

See what I mean by "relief that is not relief"?

Valuation of Assets

For investment losses that were incurred in the first two plan years ending after Aug. 31, 2008, generally there is a level annual recognition (also known as smoothing) of those losses. The IRS' granting of automatic approval depends upon the method that was in effect at the time the 10-year smoothing was elected:

- ➜ If the plan used an asset valuation method that explicitly spread investment gains and losses evenly over a fixed time period (see Revenue Ruling 2000-40, Approval 15), automatic approval to use up to 10-year smoothing is approved.
- ➜ If the plan used a market value approach, this is considered to be a one-year smoothing and—similarly—receives automatic approval.
- ➜ But if the asset valuation method spreads gains and losses without using a fixed time period, applying relief would require IRS approval (i.e., it's not automatic).

In addition, plans can use a corridor that limits the actuarial value of assets to a range between 80 percent of the market value of assets and 130 percent of the market value of assets. This latter percentage represents an increase over the otherwise-applicable 120 percent limit.

In both cases (10-year smoothing and 130 percent upper limit), the impact on the funding standard account is complex. As highlighted in the webinar, there are at least two possible approaches to reflecting this change in method:

1. If the asset method changes and extended amortization (the 29 years discussed earlier) is not in effect,
  - **a.** the net gain/loss should be determined without this asset method change; and
  - **b.** the method change should be spread over 10 years.

2. If the asset method changes and extended amortization is in effect,
  - **c.** the net gain/loss should be determined without this asset method change;
  - **d.** the eligible net investment loss without regard to asset method change should be determined; and
  - **e.** the method change should be amortized over 30 years.

Decision to Apply the Special Funding Rules

While most plan sponsors by this time probably have reviewed the implications of PRA 2010 and have decided whether to elect relief, the timetable for making that election has not yet passed. For plans

RELIEF ACT, PAGE 5 ⇢

that are based on the calendar year, the deadline is the earliest of:

- ➜ The deadline for the actuary's status certification for the 2011 plan year (i.e., the end of March 2011);
- ➜ The actual date of the actuary's status certification for the 2011 plan year (which could be sooner than the end of March); or
- ➜ June 30, 2011.

There is one exception: If there's a trustee deadlock regarding the adoption of relief, the deadline becomes 30 days following arbitration.

For plans that are not calendar year-based, the deadlines are the same as those for calendar-year plans shown above, but the date of the actuary's status certification for the 2011 plan year will be later than March 2011, giving those plan sponsors additional time to review and decide whether to adopt relief.

Recertification of Pre-2011 Funded Status

In many cases, the election of relief, which potentially affects the 2009 and 2010 plan years, could change the funded status—as defined in IRC Section 432(b)(3)—for the second such year (generally 2010). If a plan sponsor had the plan actuary recompute the plan's funded status (reflecting these relief provisions), the redetermined status becomes the certified status for that plan year. This could affect the need for rehabilitation or funding improvement plans, which already may have been adopted.

But the actuary and plan sponsor aren't relieved of additional certification, administration, and filings. Additional steps must be taken:

1. The plan actuary has to revise the non-relief actuarial certification of the plan's funded status for the plan year, and send this recertification to the plan sponsor and the IRS before the end of the current plan year (Dec. 31, 2010, for a calendar-year plan);
2. The plan actuary also must ensure that the revised certification satisfies the requirements of IRC Section 432(b)(3);
3. Notice of the revised certification has to be sent to the same group of people/organizations that received the original (pre-relief) notice (participants, beneficiaries, bargaining parties, the Pension Benefit Guaranty Corp. [PBGC], and the secretary of labor) within 30 days of the recertification;
4. Any steps that the plan took to address it being in critical status (for example, restrictions on distributions, reductions in adjustable benefits, and initiation of employer surcharges) or in endangered status have to be undone; and
5. The plan actuary has to certify that undoing these steps won't cause the plan to fail to meet the solvency test.

The solvency test must be conducted on exactly the same basis as the PPA certification for the plan year in which relief is elected. So, rehabilitation and funding improvement plans cannot be taken into account unless the terms of those plans have been approved in collective bargaining. But in performing the recertification, the actuary can take into account updated industry activity information such as collective bargaining activity that occurred after that original certification.

Notification to Participants, Beneficiaries, and the PBGC

Regardless of whether a plan is recertified, the plan must notify participants and beneficiaries of the election of relief within 30 days after the deadline for relief election. That last phrase is important. Even if a calendar-year plan elected relief in, for example, November 2010, it can wait until the PRA 2010 deadline (end of March, 2011) to send out the required notices.

The PBGC, on the other hand, must be notified sooner—30 days after the election of relief or Jan. 18, 2011, if later. So, again, a calendar-year plan that elected relief in November 2010 could have notified the PBGC as late as Jan. 18, 2011, and still have been in compliance with PRA 2010's rules for notification.

The notice of the adoption of relief must contain:

1. The name of the plan, along with the taxpayer identification number and plan number for the plan;
2. An explanation of which of the special funding rules apply and the plan year or years for which they apply;
3. The effect of the application of the special funding rules (i.e., the amortization of losses beyond the otherwise applicable 15-plan-year period and/or the recognition of losses in the value of plan assets over a period as long as 10 years);
4. A general description of the effect of applying the special funding rules, including the fact that applying the special rules will decrease the amount of required minimum contributions that are taken into account in determining the appropriate contribution rates under collective bargaining agreements and also may affect the plan's status under IRC Section 432(b) for the current and future plan years;
5. A statement that the plan is not permitted to increase benefits during the two plan years immediately following any plan year in which either or both of the special funding rules apply, unless certain conditions are met; and
6. The name, address, and telephone number of the plan administrator or other contact person from whom more information may be obtained.

The "relief" provisions, clearly, may be a "relief" for some of the funding issues that multiemployer plans have suffered over the past few years—but they certainly haven't provided any relief to the multiemployer actuarial community.

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

Webinar Recording Available

A CD OF THE PRESENTATION SLIDES AND THE RECORDED AUDIOCAST OF THE FEBRUARY WEBINAR, "A LOOK AT IRS GUIDANCE NOTICE 2010-83 FUNDING RELIEF FOR MULTIEMPLOYER DEFINED BENEFIT PLANS UNDER THE PENSION RELIEF ACT OF 2010," IS AVAILABLE. **Click here** FOR MORE INFORMATION.

and liabilities. The ASB's Pension Committee reviewed the request and determined that multiple standards would need to be reviewed, revised, and exposed for comment.

The first few pages of the ASOP No. 27 exposure draft contain a transmittal memo with important background on the Pension Committee's work. In addition to the proposed changes to ASOP No. 27, the committee has released a discussion draft of ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*. The committee also is drafting a new standard on pension risk. The transmittal memo examines these interrelated initiatives.

Prescribed actuarial assumptions today are a fact of life for many pension actuaries. The proposed ASOP No. 27 coordinates disclosure requirements with ASOP No. 4 and ASOP No. 41. Actuaries should also note the difference between arithmetic and geometric rates of investment return and how that difference is incorporated in an investment return assumption.

Other key changes in the newly released ASOP No. 27 exposure draft include the following:

- The "best-estimate range" has been replaced with a reasonableness standard.
- Actuaries now need to provide a rationale for the assumption or assumption change in addition to disclosing assumptions or assumption changes.
- The existing link between the discount rate and the investment return assumption has been removed. A new section on selecting a discount rate has been added. Discount rates are purpose driven, and different discount rates may be appropriate to meet the needs of different end-users of actuarial work.
- A margin for conservatism can be included in assumptions as long as it is disclosed.

The ASB states in the transmittal memo that "the pension issues facing plan sponsors, plan participants, governments, and the actuarial profession are complex and urgent. Viewpoints and constituencies are diverse."

Because we are a self-regulated profession, the quality of our standards of practice is critical. Thoughtful comments from the actuarial community are a vital part of the standard-making process. Enrolled actuaries are encouraged to review the exposure draft and submit comments to the ASB.

Submitting Comments

The deadline for comments on the ASOP No. 27 exposure draft has been extended to April 30, 2011. You may send your comments to the ASB by e-mail (comments@actuary.org) either in the body of the message or as an attachment. You must include the phrase "ASB COMMENTS" in the subject line of your message. Any e-mail message not containing this exact phrase in the subject line will be deleted by the ASB's spam filter.

While e-mail is the preferred method, the ASB also will accept comments by conventional mail sent to:

ASOP No. 27 Revision
Actuarial Standards Board
1850 M Street N.W., Suite 300
Washington, DC 20036

The ASB posts all signed comments received to its website to encourage transparency and dialogue. Unsigned or anonymous comments will not be considered by the ASB nor posted to the website. The comments will not be edited, amended, or truncated in any way. The ASB website is a public website, and all comments will be available to the general public.

Comments on the ASOP No. 4 discussion draft are also requested by April 30, 2011, but can be submitted and will be accepted at any time. Comments can be sent by e-mail to discussion@actuary.org or by conventional mail to ASOP No. 4 Revision—Discussion Draft at the address listed above. While comments will not be published and will not receive individual responses, they will be given appropriate consideration by the drafting committee in the expectation of preparing an exposure draft of the revised ASOP No. 4.

Public Employee Pension Transparency Act Reintroduced

Editor's Note: The following was first reported in an Academy Alert sent to Academy members on Feb. 9, 2011.

REPRESENTATIVES DEVIN NUNES (R-CALIF.), Paul Ryan (R-Wis.), and Darrell Issa (R-Calif.) reintroduced a bill (H.R. 567) on Feb. 9 that would require more transparency from state and local public pension plans. The legislation, which originally was introduced during the lame duck session shortly before the end of the 111th Congress last year (H.R. 6484), would also prohibit the federal government from providing any financial assistance or bailouts to public pension funds in the future.

The Public Employee Pension Transparency Act would require state and local governments to report their methods and assumptions, in addition to their existing financial data disclosures. Public employee pension plans also would be required to report their liabilities using a uniform accounting standard.

Senators Richard Burr (R-N.C.) and John Thune (R-S.D.) introduced the companion bill in the Senate on Feb. 15.

‹ASOP 41, FROM PAGE 1

financial accounting standards," Custis said. "If an actuary disagrees with an assumption or the method specified, the actuary must disclose that fact either as part of the actuarial report or in a separate communication such as a cover letter to the principal."

The standard also explains what actuaries should do if, in their professional judgment, they deviate from the guidance of an ASOP. Section 4.4 of ASOP No. 41 states that an actuary can do something different and still comply with an applicable standard provided he or she explains the nature, rationale, and effect of the deviation in an actuarial communication.

"This allows actuaries to do what they believe to be best, provided they disclose what they did, why they did it, and what the effect will be," Custis said.

The current version of ASOP No. 41 has been in effect for eight years. During that time, the ASB has received numerous comments about its lack of clarity. Custis acknowledged that the process to revise the standard has been a long one. There were two exposure drafts, the first released in September 2008 and the second released in December 2009.

"ASOP No. 41 is a very general standard that affects all actuaries," Custis said. "After the first exposure draft, the committee received 23 comment letters. After the second exposure draft, it received 37 comment letters. The comments were substantive, and it took time to process and address the concerns that were raised."

"The two things we tried to achieve were to improve clarity and update the standard for appropriate practice," Custis said, adding, "I think we've done that."

More on ASOP No. 41

Learn more about the new guidance in a March 23 webinar. Join Actuarial Standards Board Chairperson Al Beer and ASB member Jim Murphy as they discuss ASOP No. 41 and its guidance on a number of important issues, including:

- The revised requirements for actuarial communications;
- What constitutes an actuarial report, and how to deal with specific circumstances;
- Required disclosures; and
- Deviation from guidance.

Click here for more information.

‹HYBRID PLANS, FROM PAGE 2

Definition of Hybrid Plan

The committee argued that a plan that expresses a participant's accumulated benefit as a current single-sum dollar amount without interest credits should not be considered a statutory hybrid plan. Such plans generally express the benefit as a lump sum payable at normal retirement age rather than as a current lump sum, and the benefit paid is then reduced for early commencement. These arrangements do not raise the same type of age discrimination issues that a plan that provides pre-retirement interest credits does.

Regulated Investment Companies

The committee suggested that because all regulated investment companies (RICs) are defined as providing a reasonable market rate of return, employers should be able to switch among RICs at least every five years without violating Code Section 411(d)(6). If an RIC goes out of existence, the employer should receive an additional opportunity to switch to another RIC. If volatility among RICs is an issue, regulations could limit the alternative RICs to those with a similar risk profile.

Fixed-Interest Crediting Rates and Floors

In developing permissible fixed rates of return and minimum floors on variable rates of return, the IRS adopted rates that, based on historical rates, would not be in excess of a market rate of return. The committee argued that the IRS used too conservative a standard. For fixed rates, the committee suggested allowing use of a rate that is currently considered reasonable and revisiting the rate every five or 10 years. It argued that low interest crediting rates have a negative effect on a participant's ability to accumulate adequate retirement benefits.

Participant Election

The committee told the IRS that it should allow plans to provide participant choice among reasonable market rates of interest, including life-cycle investments, without worrying about Code Section 411(d)(6) cutbacks. The preservation of capital rule should apply on the basis of the entire account over the full participation period, not specific investments or periods.

Market Rate of Return Correction

The committee urged the IRS to provide flexibility under Section 411(d)(6) to correct current interest crediting rates that are higher than the market rate of interest, but not so much flexibility as to put those with rates in excess in a better position to change rates than those that already have a market rate of return.

STU SIRKIN, *a principal in Buck Consultants' Knowledge Resource practice in Washington, has worked at the IRS, the Department of Labor, and the Pension Benefit Guaranty Corp. He was on the staff of the Senate Finance Committee when the Pension Protection Act was enacted.*