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ENROLLED ACTUARIES REPORT

SHEILA J. KALKUNTE

What's Happening With the New JBEA Regs?

ACTUARIES REVIEWED THE CURRENT STATUS of the proposed new Joint Board for the Enrollment of Actuaries' (JBEA) regulations during a Dec. 15, 2010, audiocast co-sponsored by the Academy and the Conference of Consulting Actuaries. The new regulations, first published in the Federal Register on Sept. 21, 2009, were open for comments until Nov. 20, 2009. The JBEA also held a public hearing on the proposed regulations on Feb. 25, 2010. The JBEA is awaiting finalization of the proposed regulations through the government approval process. The approval did not occur by Dec. 31, 2010. As a result, the JBEA at this time cannot say when the new regulations will go into effect.

Under the current regulations, the three-year enrollment cycle for enrolled actuaries (EAs) ended on Dec. 31, 2010. Thus, for the three-year

period running from Jan. 1, 2011, to Dec. 31, 2013, EAs must earn at least 36 total credit hours, including 18 core credit hours, with proration allowed if this period is the initial enrollment for EAs.

The proposed JBEA regulations do not change:

- The three-year cycle;
- The need for 36 total credit hours;
- The proration of total core hours if in the initial enrollment period; or
- The need to file for renewals.

The proposed JBEA regulations would change some current aspects, such as:

- Lessening the minimum of core credits after the initial full renewal period;
- Adding a minimum number of core ethics credits;
- Adding a minimum number of credits from "formal programs"; and
- Changing the definition of "core" as

described in Section 901.11(f).

Under the proposed regulations, some of the primary changes in connection with qualifying sponsors of JBEA continuing education (CE) include:

- Shifting of some record-keeping responsibilities (such as maintaining the program materials) from the EA to the qualifying sponsors;
- Providing further clarification of permissible forms of qualifying programs (including requirements for teleconferencing and webinars);
- Adding more responsibilities of qualifying sponsors (including maintenance of records for a six-year period); and
- Staggering renewal periods for qualifying sponsors to avoid overload with EA cycle renewals.

In addition to the material covered

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Prompt Action Needed to Ensure SS Soundness

SOcial Security's LONG-TERM FINANCIAL SOUNDNESS must be addressed immediately, the Academy said in an October **issue brief** released following the publication of the 2010 Social Security trustees' report. The Academy has been advocating for increasing the retirement age as one component of a comprehensive set of reforms to restore the actuarial balance of the Social Security system since it released its first position statement in August 2008. The Academy reiter-

ated this position and urged prompt action in an Oct. 25 **letter** to the National Commission on Fiscal Responsibility and Reform.

The Academy's Social Insurance Committee released an updated **issue brief**, *Raising the Retirement Age for Social Security*, in October. In the brief, the committee examines in detail the potential impact of raising the retirement age and outlines several approaches to do so. The committee also addresses some of the objections to raising the retirement age for Social Security. ▲

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Plan Now to Attend the 2011 EA Meeting

ENROLLED ACTUARIES can stay up to date on the latest developments in the field by attending the 2011 Enrolled Actuaries Meeting March 27-30 at the Marriott Wardman Park Hotel in Washington.

Hosted by the Academy and the Conference of Consulting Actuaries, the meeting will offer session tracks devoted to practitioners who focus on public plans, multiemployer plans, and small plans. Expert panelists will cover such in-the-news topics as the Pension Relief Act, media scrutiny of public pension plans, and new rulings and regulations. Other timely topics to be covered include compliance issues for frozen plans, Pension Benefit Guaranty Corp. (PBGC) 4062(e) rules, and distress terminations.

There will be sessions for less experienced actuaries on such topics as the basics of funding, the Employee Retirement Income Security Act, and an overview of nondiscrimination rules. Advanced sessions will cover assumption setting in a volatile economy, nondiscrimination challenges, pension equity plan design, and more.

Enrolled actuaries will be able to further examine answers to many of the questions that remain about the Pension Protection Act of 2006. Experienced actuaries and government representatives will address Pension Relief Act provisions, the recently released hybrid plan regulations, at-risk rules, credit balance strategies, and all aspects of Section 436 restrictions. Other sessions will focus on health care reform, investment strategies for pension risk management, Federal Insurance Contributions Act taxation, and accounting convergence.

The meeting also will include perennial favorites: a review of the Gray Book, late-breaking developments, and dialogues with representatives from the Treasury Department, the Internal Revenue Service, the PBGC, and the Joint Board for the Enrollment of Actuaries.

And, as always, there will be opportunities to explore professionalism topics, with sessions on actuarial standards of practice, the code of professional conduct, Qualification Standards, and Joint Board regulations.

At the Monday luncheon, Bob Gray, a recognized authority on memory systems, will entertain and educate attendees with his memory techniques.

Plan now to attend the 2011 EA Meeting. In addition to earning up to 18 hours of continuing education credits, it's a great opportunity to network with other actuaries and interact with representatives from the IRS, the Department of Labor, and the PBGC.

If you're looking for more continuing education opportunities, seminars are available before and after the meeting, including:

- Professional Standards Seminar (March 27);
- Retiree Medical Seminar (March 30);
- Consulting Skills Seminar (March 30); and
- 2011 Pension Symposium (March 30).

For more information and to register for the meeting and additional seminars, go to www.enrolledactuaries.org. ▲

Academy Recruiting Senior Pension Fellow

The American Academy of Actuaries seeks a senior pension fellow to advance its work on issues relating to retirement income security. The fellow will be responsible for connecting personally with policymakers, media, government officials, think tanks, academics, FASB / GASB, and other opinion leaders on issues of concern to the public and the profession. Candidates must be a member of the American Academy of Actuaries, a fellow of the Society of Actuaries, and an enrolled actuary. For complete details and to apply, [click here](#).

Updated Social Security and IRS Amounts for 2011

Covered Compensation, 2011

2011 WAGE BASE \$106,800

YEAR OF BIRTH	AGE IN 2011	SSRA	YEAR OF SSRA	COVERED COMPENSATION ROUNDED TO			
				\$1*	\$12	\$600**	\$3,000
1944	67	66	2010	59,277	59,268	59,400	60,000
1945	66	66	2011	61,891	61,884	61,800	63,000
1946	65	66	2012	64,471	64,464	64,200	63,000
1947	64	66	2013	67,017	67,008	67,200	66,000
1948	63	66	2014	69,414	69,408	69,600	69,000
1949	62	66	2015	71,726	71,724	72,000	72,000
1950	61	66	2016	73,929	73,920	73,800	75,000
1951	60	66	2017	76,054	76,044	76,200	75,000
1952	59	66	2018	78,086	78,084	78,000	78,000
1953	58	66	2019	80,057	80,052	79,800	81,000
1954	57	66	2020	81,977	81,972	82,200	81,000
1955	56	67	2022	85,629	85,620	85,800	87,000
1956	55	67	2023	87,394	87,384	87,600	87,000
1957	54	67	2024	89,074	89,064	88,800	90,000
1958	53	67	2025	90,660	90,660	90,600	90,000
1959	52	67	2026	92,186	92,184	92,400	93,000
1960	51	67	2027	93,651	93,648	93,600	93,000
1961	50	67	2028	95,057	95,052	94,800	96,000
1962	49	67	2029	96,377	96,372	96,600	96,000
1963	48	67	2030	97,680	97,680	97,800	99,000
1964	47	67	2031	98,940	98,940	99,000	99,000
1965	46	67	2032	100,123	100,116	100,200	99,000
1966	45	67	2033	101,220	101,220	101,400	102,000
1967	44	67	2034	102,197	102,192	102,000	102,000
1968	43	67	2035	103,071	103,068	103,200	102,000
1969	42	67	2036	103,826	103,824	103,800	105,000
1970	41	67	2037	104,451	104,448	104,400	105,000
1971	40	67	2038	105,017	105,012	105,000	105,000
1972	39	67	2039	105,557	105,552	105,600	105,000
1973	38	67	2040	106,037	106,032	106,200	106,800
1974	37	67	2041	106,397	106,392	106,200	106,800
1975	36	67	2042	106,663	106,656	106,800	106,800
1976	35	67	2043	106,800	106,800	106,800	106,800
1977	34	67	2044	106,800	106,800	106,800	106,800
1978	33	67	2045	106,800	106,800	106,800	106,800

These four tables list updated figures for IRS pension limits, Social Security amounts, covered compensation, and PBGC premiums for 2011.

Andrew Eisner of Buck Consultants Research Department compiled the tables.

PBGC Premiums

2011

2010

Single-employer Plans:

Flat-rate premium (per participant) \$35.00 \$35.00

Variable-rate premium \$9 per \$1,000 of unfunded vested benefits \$9 per \$1,000 of unfunded vested benefits

Multiemployer Plans:

Flat-rate premium (per participant) \$9.00 \$9.00

* Represents exact average of wage bases, as permitted by law and regulations.

** After 1993, IRS does not authorize the use of covered compensation tables rounded to \$600 multiples under 401(i). Thus, integrated plans using this table are not safe-harbor plans.

Social Security—2011 Figures

On Oct. 15, the Social Security Administration announced updated figures for 2011.

Wage Base The maximum amount of earnings taxable in 2011 is \$106,800 for Social Security purposes.

COLA The cost-of-living increase in benefits is 0.0 percent, first applicable to December 2010 benefits, payable in January 2011.

Wage Index The average annual wage figure of \$40,711.61 will be used in computing benefits for workers who become eligible in 2011. This figure is based on data for the last complete year (2009) and was used to determine other wage-indexed numbers given in the table below.

FACTOR	2011	2010
Wage base:		
for Social Security	\$ 106,800	\$ 106,800
for Medicare	No Limit	No Limit
old-law wage base, for indexing PBGC maximum, etc.	\$ 79,200	\$ 79,200
Cost-of-living increase (applies to December benefits, payable in January)	0.0%	0.0%
Average annual wage (based on data two years earlier)	\$40,711.61	\$41,334.97
PIA formula, 1st bend point	\$ 749	\$ 761
PIA formula, 2nd bend point	\$ 4,517	\$ 4,586
Maximum family benefit, 1st bend point	\$ 957	\$ 972
Maximum family benefit, 2nd bend point	\$ 1,382	\$ 1,403
Maximum family benefit, 3rd bend point	\$ 1,803	\$ 1,830
Retirement test exempt amount (annual)		
below SSNRA	\$ 14,160	\$ 14,160
year of SSNRA	\$ 37,680	\$ 37,680
Wages needed for one quarter of coverage	\$ 1,120	\$ 1,120
FICA (employee) tax rate:		
Social Security (OASDI)	4.20%	6.20%
Medicare (HI)	1.45%	1.45%
Total	5.65%	7.65%
SECA (self-employed) tax rate, total	13.30%	15.30%

IRS Qualified Plan Limits for 2011*

Principal Limits

IRC	LIMIT	2011 ROUNDED	2010 ROUNDED	2011 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
415(b)(1)	Defined benefit plan limit	\$195,000	\$195,000	\$196,448	\$200,000	1.9%
415(c)(1)	Defined contribution plan limit	49,000	49,000	49,112	50,000	1.9%
401(a)(17)	Limit on includible compensation **	245,000	245,000	245,560	250,000	1.9%
402(g)(1)	Limit on 401(k)/403(b) elective deferrals	16,500	16,500	16,629	17,000	2.3%
414(q)	HCE definition	110,000	110,000	110,952	115,000	3.7%
414(v)(2)	401(k)/403(b)/457(b) Catch-up deferral limit	5,500	5,500	5,543	6,000	8.3%

Other Limits

IRC	LIMIT	2011 ROUNDED	2010 ROUNDED	2011 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
457(b)	Limit on deferrals	\$ 16,500	\$ 16,500	\$ 16,629	\$ 17,000	2.3%
416(i)	Top-heavy key employee definition	160,000	160,000	159,614	165,000	3.4%
409(o)(1)(C)	ESOP payouts, five-year limit	985,000	985,000	982,240	990,000	0.8%
409(o)(1)(C)	ESOP payouts, additional one-year limit	195,000	195,000	196,448	200,000	1.9%
408(k)(2)(C)	SEP pay threshold	550	550	553	600	8.5%
132(f)(2)(A)	Commuter/transit limit (monthly)***	230	230	-	-	-
132(f)(2)(B)	Parking limit (monthly)	230	230	234	235	0.5%

* Cost-of-living adjustments to the retirement plan limits follow the procedures under Internal Revenue Code Section 415(d), which are similar to those used to adjust benefit amounts under the Social Security Act. The cost-of-living index for the quarter ended Sept. 30, 2010, while greater than the cost-of-living index for the quarter ended Sept. 30, 2009, was less than the cost-of-living index for the quarter ended Sept. 30, 2008. Following the procedures under the Social Security Act for adjusting benefit amounts, a decline in an index cannot result in a reduced limitation. Therefore, the rounded 2011 retirement plan limits that are adjusted by reference to Section 415(d) remain unchanged from 2010 (and 2009).

** Governmental plans have special rules for eligible participants as defined in OBRA '93.

*** Legislation has set the commuter/transit limit to equal the parking limit through 2011.

Tables compiled by Andrew Eisner of Buck Consultants Research Department.

Reflections of a Senior Pension Fellow

Editor's note: Frank Todisco was the Academy's senior pension fellow from 2008 to 2010. He left the Academy in November to assume the post of chief actuary at the U.S. Government Accountability Office (GAO) in January 2011. Academy positions described below should not be ascribed to either the author or the GAO.



LEAVING THE ACADEMY to join the U.S. Government Accountability Office as its second chief actuary has been likened, at least by some, to jumping out of the frying pan. Whether or not it means jumping into a fire, only time will tell. I won't disagree too strenuously, however, about the frying pan. Indeed, I can assure you my tenure at the Academy was filled with a seemingly endless array of public policy challenges—challenges that would stretch the knowledge, skills, and expertise of any actuary. But it is in responding to these challenges that actuaries are able to make a difference in serving the public interest.

The Academy, in accordance with its mission, strives to be a meaningful and active participant in the Washington policy community. It endeavors to make sure that the actuarial perspective is heard and actuarial expertise is offered on the key policy issues of our time. In practice, this entails establishing professional relationships with congressional staff, and staff at government agencies and policy-oriented think tanks. It also means sharing our perspective and expertise with the media. And it requires us to engage any reasonable player across the political spectrum.

Retirement security issues cover a broad range, from Social Security to defined benefits to defined contribution plans and beyond. During the past couple of years, the Academy has focused most on these four:

Defined Contribution Plans

→ Most policymakers take the view that defined contribution plans will be the primary source of private-sector retirement income for some time to come. They are focused on making these plans work better for participants, which includes efforts to promote greater access to—and usage of—guaranteed lifetime income options. The Academy has engaged in these policy discussions.

Public-Sector Defined Benefit Plans

→ Concerns about the funded status of these plans, and their impact on state and local government budgets, have become paramount. This has drawn the attention of Congress, state and local governments, the Governmental Accounting Standards Board, and the actuarial profession.

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Links to Recent Academy Activities

Defined Contribution Plans

- Representatives from the Life Practice Council and Pension Practice Council **testified** on Sept. 15 at a jointly sponsored Department of Labor (DOL) and Department of the Treasury public hearing on lifetime income options for retirement.
- The Pension Practice Council submitted written **testimony** on lifetime income options to the Senate Special Committee on Aging for a hearing called "The Retirement Challenge: Making Savings Last a Lifetime."
- The Pension Practice Council and Life Practice Council **responded** to a request for information from the DOL and the Treasury regarding lifetime-income options for participants and beneficiaries in retirement plans.

Public-Sector Defined Benefit Plans

- The Pension Practice Council submitted **comments** to the Governmental Accounting Standards Board (GASB) on Sept. 17 in response to its *Preliminary Views on Pension Accounting and Financial Reporting by Employers*.
- The Pension Practice Council presented a **webinar** on July 15 about the recently released *Preliminary Views on Pension Accounting and Financial Reporting by Employers*. Panelists discussed several aspects of the GASB document, along with an overview of GASB's progress on the Pension Accounting and Financial Reporting research project. An **audio recording** and **slides** are available.

Social Security

- The Academy, in an **Oct. 25 letter** to the National Commission on Fiscal Responsibility and Reform, said that an increase in the retirement age would help restore the actuarial balance of the Social Security system.
- The Academy, in an **issue brief** issued in October, said the 2010 Social Security trustees' report highlights the imperative to act immediately to address the challenges facing Social Security.
- The Social Insurance Committee updated an existing **issue brief**, *Raising the Retirement Age for Social Security*, in October.
- The Social Insurance Committee updated an existing **issue brief**, *Social Security Reform: Changes to the Benefit Formula and Taxation of Benefits*, in June.

Private-Sector Defined Benefit Plans

- The Pension Committee, in a **July 9 letter** to the Cost Accounting Standards Board, commented on the proposed rulemaking for harmonization of CAS Nos. 412 and 413 with the Pension Protection Act of 2006.
- The Pension Committee, in a **July 7 letter** to the Department of the Treasury and the Internal Revenue Service, offered suggestions for the 2011 Schedules SB and MB instructions and forms.
- The Pension Committee sent **comments** to the Department of the Treasury and the Internal Revenue Service in March concerning final regulations on pension funding and benefit restrictions under Internal Revenue Code Sections 430 and 436.

IRS Issues Guidance for Tax Return Preparers

Editor's Note: The following was taken from an Academy Alert sent to Academy members on Jan. 4, 2011.

The Internal Revenue Service (IRS) has issued a guidance notice regarding the implementation of new regulations governing tax return preparers. The guidance notice includes interim rules for preparer tax identification number (PTIN) holders during the implementation phase of the new requirements, as well as new information regarding the requirement to have a PTIN.

Section 1.6109-2(h) of the Internal Revenue Code grants the IRS the authority to specify the appropriate returns, schedules, and forms that qualify as tax returns or claims for refund for

purposes of PTIN regulations. Included in the notice is a list of government forms identified by the IRS that do *not* qualify as tax returns for purposes of the PTIN requirements. The Form 5500 series is included in that list of exemptions; in addition, benefit plan administrators who help prepare benefit plan Form 5500 are exempt from the PTIN requirements. However, other forms that are often prepared by actuarial firms (in particular, Form 5330) are not exempt. It is still unclear how broadly the PTIN requirement will apply to the work that precedes the preparation of Form 5330.

For more information, please visit the [tax professionals' page](#) of the IRS website. ▲

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in the webinar, EAs should be aware that under the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (US QS), the limited exemption for EAs narrows further beginning in 2011. Under US QS Section 2.2.8, EAs who issued statements of actuarial opinion (SAOs) related to retirement plans to which the Employee Retirement Income Security Act (ERISA) applies were deemed to satisfy the CE requirements of the US QS if they satisfied the JBEA CE requirements. Beginning in 2011 (for SAOs issued in 2012 and thereafter), EAs must meet the US QS CE requirements concurrently with the JBEA CE requirements unless the only SAOs they issue are the Schedule B certifications and related government-required forms, in which event they are still deemed to satisfy the US QS if they satisfy only the JBEA CE requirements. Generally under

the US QS, an actuary must earn 30 CE hours annually, of which six must be from organized activities and three must cover professionalism topics. EAs who issue any other type of SAO that does not fall under the limited exemptions have always needed to meet the US QS CE requirements if they are a member of one or more of the five U.S.-based actuarial organizations.

EAs seeking renewals and qualifying program sponsors of JBEA CE seeking renewals are encouraged to contact the JBEA proactively and to monitor its website for further information. Please note that the final approved form of the regulations may deviate from this description, which was provided for information purposes only during the Dec. 15 CCA-Academy audiocast. The final regulations are solely within the discretion of the JBEA to determine. ▲

◀TODISCO'S REFLECTIONS, FROM PAGE 5

Social Security

→ What to do about Social Security's projected actuarial deficit has been a hotly debated topic for years. The Academy set a precedent in 2008 when it advocated actively that part of the solution include raising the retirement age. President Obama's appointment of a fiscal commission put Social Security even more center-stage this past year, and the Academy's October letter to the commission addressed some of the concerns about raising the retirement age. The Academy has published issue briefs on related and other Social Security issues as well.

Private-Sector Defined Benefit Plans

→ Policy emphasis has been on funding relief and the continuing rollout of regulations. Funding relief was the subject of vigorous debate both inside and outside the profession. But funding relief was merely an effort to shore up defined benefit plans, and there remains little consensus on any strategy for a defined benefit revival—or on whether such a revival is possible.

The Academy has been engaging in numerous additional aspects of retirement policy, including retirement plans of the future, international issues, and other specific topics within the subject areas identified above. One of the Academy's biggest challenges remains finding common ground in a small profession in which practitioners hold diverse viewpoints regarding both actuarial theory and practice.

As I leave the Academy, I'd like to offer a final word about who gets all this done on behalf of the profession and the public. The Academy is fortunate to have both a skilled professional staff and a group of dedicated actuarial volunteers (the latter, on retirement issues, through the Academy's Pension Practice Council and its subsidiary committees and subcommittees). But you, the members, are the Academy, and I can tell you that your suggestions, ideas, comments, and challenges are valuable and thoroughly considered throughout the organization. As a fellow actuary, I'm confident that you'll provide the same level of valuable input and support to whoever is fortunate enough to step into the role next as the Academy's senior pension fellow. ▲