

Actuarial UPDATE

Revised Standards Approved

THE ACADEMY BOARD OF DIRECTORS has approved revised [Qualification Standards](#), which will take effect Jan. 1, 2008. With broadened scope and strengthened CE requirements, they are expected to affect most practicing actuaries in the United States.

The revised standards, enclosed with this issue of the *Update*, were developed by the Academy's Committee on Qualifications as part of continuing Academy efforts to keep the actuarial profession relevant, reputable, and accountable to its clients in a fast-paced, competitive global economy.

"This was a huge step in assuring the public that actuaries who provide statements of actuarial opinion are qualified to do so," said Academy President Steven Lehmann. "It also goes a long way toward making continuing education standards for actuaries consistent for all U.S.-based actuarial organizations."

Development of the new standards has been a multi-year project. Beginning in 2002, the committee began soliciting input from the profession on whether the standards should focus solely on statutory and regulatory work or should be expanded to include all Statements of Actuarial Opinion (SAOs). A first draft was exposed for comment in May 2004 and a second

version was exposed for comment in January 2006. The committee received more than 200 comments on the second exposure draft from various groups and individuals.

Highlights of the revised standards include the following:

- ▶ The revised Qualification Standards apply to all actuaries who are members of one of

the U.S.-based actuarial organizations and who issue SAOs in the United States, as well as members of any actuarial organization that

is not U.S.-based but requires its members to meet the standards when practicing in the United States.

- ▶ Under the revised Qualification Standards, an SAO is an opinion expressed by an actuary in the course of performing actuarial services (as defined in the Code of Professional Conduct) and intended by that actuary to be relied upon by the person or organization to which the opinion is addressed. (The code defines actuarial services as "professional services provided to a principal (client or employer) by an individual acting in the capacity of an actuary. Such services include the rendering of advice, rec-

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Make plans to attend the Academy's Annual Meeting luncheon, Oct. 3 in Washington **PAGE 2**

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DOE Rescinds Pension Policy

BY JAMES VERLAUTZ

THE DEPARTMENT OF ENERGY (DOE) recently announced it would not reinstate a controversial policy denying reimbursements to DOE contractors for the costs of their new employees' defined benefit pension plans.

When the DOE first published this policy in the spring of 2006, the Academy's Pension Practice Council responded almost immedi-

ately with a [letter](#) asserting that such a policy was antithetical to the needs of both employees and employers.

The letter also pointed out that it was wholly inappropriate for a government agency to be creating a pension policy diametrically opposed to the Pension Protection Act, then being debated in Congress, without even seeking public comment. The Academy's position was widely reported in the media and cited by numerous

See **DOE PENSION**, Page 6



AUGUST

- 2 Academy Executive Committee meeting, Washington
- 5-9 National Conference of State Legislatures annual meeting, Boston
- 9-11 SOA 42nd annual research conference, Pittsburgh
- 13 Academy Life Capital Adequacy Subcommittee meeting, Chicago
- 24 Academy Life Reserves Work Group meeting, Chicago

SEPTEMBER

- 5-6 ASB meeting, Washington
- 10-11 CAS Casualty Loss Seminar, San Diego
- 17-18 SOA Valuation Actuary Symposium, Austin, Texas
- 19 Academy Council on Professionalism meeting, Washington
- 20 Academy Webcast on Qualification Standards
- 20-21 SOA small group health underwriting seminar, Raleigh, N.C.
- 24 Academy Social Insurance Committee meeting, Washington
- 24-26 SOA critical illness conference, San Antonio
- 25 Academy Life Financial Reporting Committee meeting, Washington
- 26-28 SOA DI and LTC insurer's forum, San Antonio
- 28-October 1 NAIC fall meeting, Washington

OCTOBER

- 1 Council of U.S. Presidents meeting, Washington
- 2 Academy Board of Directors meeting, Washington
- 3 Academy leadership and annual meeting, Washington
- 4-6 North American Actuarial Council meeting, Lake George, N.Y.
- 14-17 SOA annual meeting, Washington
- 17 Academy P/C loss reserve opinion seminar, Chicago
- 18 Academy P/C loss reserve opinion seminar, Chicago
- 21-24 ASPPA annual conference, Washington
- 21-24 CCA annual meeting, San Antonio
- 25-28 IAA meeting, Dublin, Ireland

NOVEMBER

- 4 Academy Pension Practice Council meeting, New Orleans
- 5 Academy Pension Committee meeting, New Orleans

WEB INTERFACE

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

Academy NEWS Briefs

2007 Annual Meeting Luncheon and Leadership Meeting

THE ACADEMY's 2007 annual meeting luncheon will be held Oct. 3 in Washington. The noon luncheon is open to all Academy members and will feature the presidential transition ceremony and inaugural address of incoming President Bill Bluhm; the vote for new regular members of the Academy Board of Directors; and the presentation of the Jarvis Farley Service Award. The luncheon will also have a featured speaker on a topic of interest to all members of the profession.

Wrapping around the luncheon, the Academy will hold a series of invitation-only sessions to discuss logistics for implementing the



Academy's strategic plan and an international strategic plan for the actuarial profession. There will also be meetings of the Academy's Board of Directors and leadership, as well as a meeting of the Council of U.S. Presidents (CUSP).

An annual meeting reception is scheduled for the evening of Oct. 2.

All events will occur at Washington's Renaissance Mayflower Hotel, conveniently located next to the Academy office and easily accessible by Metro.

For more information, go online to the Academy's [website](http://www.actuary.org) or contact Academy Meeting Planner Denise Winston (Winston@actuary.org; 202-223-8196). ▲

Policy Expansion In response to a burgeoning workload in the area of public policy, the Academy has hired **William Rapp** to fill the new position of assistant director of public policy. Rapp will work closely with Craig Hanna, the Academy's director of public policy, in directing the work of policy analysts as they assist the Academy's many volunteer committees, task forces, and work groups in providing actuarial expertise to Congress, state legislatures, regulators, and other policymakers. Rapp has extensive public policy experience, including serving as staff attorney for the National Veterans Legal Services Program, as a senior regulatory analyst for the engineering consulting firm Dames & Moore, and as a state legisla-

tive associate for Stateside Associates, a firm that helps companies and industry associations work effectively with state and local governments. Rapp is a graduate of Lewis & Clark Law School. He received his undergraduate degree at Willamette University.

Wrong End Up A house ad in the June *Update* alerting Academy members to the Library of Congress website (<http://thomas.loc.gov>) as a resource for looking up the particulars of federal legislation was illustrated with a photograph of a little boy peering into a telescope. An alert *Update* reader has pointed out that our young astronomer was looking into the wrong part of the telescope, holding the part

you look into as a handle, and probably seeing nothing more than his own reflected eyelashes. But here's the consolation: The link to the website, which remains an excellent resource for the legislatively curious, has no such obstructions. Try it.

IN THE NEWS

After several publications printed an opinion piece by Texas policymakers that misinterpreted the Academy's position on accrual accounting for other post-employment benefits (see story, Page 7), the Academy responded with **letters** to Texas policymakers and the editors of various publications signed by the co-chairpersons of the Academy's Joint Committee on Retiree Health. In the letters, **Jeffrey Petertil**, a

consulting actuary from Oak Park, Ill., and **Adam Reese**, a consulting actuary with the Hay Group in Arlington, Va., explained the joint committee's support of the process that led to Governmental Accounting Standards Board statements 43 and 45. The letter was published June 20 in the *Fort Worth Star-Telegram* and in *Bond Buyer*, a national publication on municipal bonds, on July 2.

A June 24 *Washington Post* "Financial Futures" column used the Academy's **Social Security Game** as a primer for readers on the issue of Social Security reform. The *Post*'s Martha Hamilton wrote that in order to have a say on how Social Security should be fixed, it is important to understand the choices involved. She said that the Academy's game is an easy way to start thinking about what needs to be done. The game was also mentioned on The Motley Fool.com.

The Academy's insured-loss **estimates** from a chemical, nuclear, biological, or radiological terrorist attack in New York and other select cities were routinely mentioned in news coverage of a possible extension to the Terrorism Risk Insurance Act. The stats appeared in the *National Underwriter Property & Casualty* edition on June 4, in the Washington-based publications *The Politico* and *The Hill* on June 6 and 7, respectively, and online at Bloomberg.com on June 21.

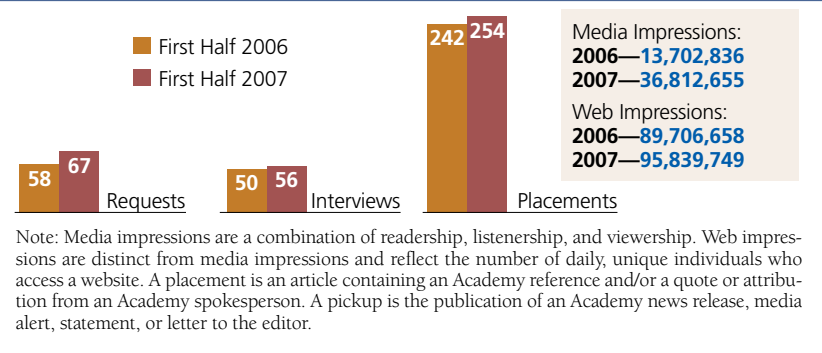
Academy Senior Pension Fellow **Ron Gebhardt**sbauer was the primary source for a June CNNMoney.com article on taking early Social Security benefits. Gebhardt'sbauer warned of the danger of

permanently reducing future Social Security benefits by drawing benefits early. He also discussed factors to consider before collecting early benefits, including increased longevity, finances and health, tax situations, and plans to continue working.

A June 11 *Pensions & Investments* report on the efforts of Washington lobbyists to postpone the effective date of the Pension Protection Act's funding provisions quoted **Gebhardt**sbauer. He said that if regulations governing funding are released too late this year, actuaries will be forced to scramble and recompute funding calculations—possibly upsetting clients. At the same time, Gebhardt'sbauer said, fast action on regulation is important because employers' decisions this year depend on the new rules.

The Academy's **monograph Medicare Reform Options** was the subject of a Cox Newspapers, "Window on Washington" entry that was published in the online edition of the *Austin American-Statesman* on June 11. Other media also covered the release of the monograph, including the *National Underwriter Life & Health* web edition on June 13 and the Bureau of National Affairs on June 14. The monograph was released at the Academy's June 11 Capitol Hill **briefing** on Medicare and Social Security reform options. Notices of the briefing appeared in the

Media Relations Activity Report—First Half 2006 and First Half 2007



June 10 *Washington Post* and the June 11 *Dallas Morning News*.

Nancy Bennett, chairperson of the Academy's Invested Asset Work Group and vice president of risk management for Ameriprise Financial in Minneapolis, was quoted in the June 11 edition of *BestWeek* speaking about the Academy's June 4 **report** to the National Association of Insurance Commissioners (NAIC) on its efforts to develop a long-term mechanism for assessing the risk in hybrid securities.

A June 21 *National Underwriter Life & Health* online-edition article discussing the Academy's June 20 **webcast** on NAIC summer meeting action quoted **Mike Boerner**, chairperson of the Academy's Valuation Law and Manual Team and managing actuary with the Texas Department of Insurance in Austin, and **Dave Neve**, co-chairperson of the Academy's Life Reserves Work Group and second vice president of the Principal Financial Group in Des Moines, Iowa. Boerner said that the Academy's proposed draft valuation **manual**, providing a set of centralized standards for statutory reserves, should be completed for consideration by the NAIC at its fall meeting.

Neve said that the work of the Academy's Life Reserves Work Group on technical points, such as assumption margins and refinements in the credibility weighing process for mortality, could be finished by the end of the year.

James Verlautz, chairperson of the Academy's Pension Committee and an actuary with Mercer Human Resource Consulting in Minneapolis, was quoted in an article on investment banking firms managing defined benefit pension plans that ran June 12 in *Compliance Week*.

A June 10 *San Diego Union-Tribune* feature on planning for retirement directed readers to the Academy's Pension Assistance List (PAL) **program** to locate actuarial volunteers to help answer pension questions.

Tonya Manning, the chief retirement actuary for Aon Consulting in Winston-Salem, N.C., was quoted in a June 25 *Business Insurance* article on phased retirement.

Kevin Bingham, a principal with Deloitte Consulting in Hartford, Conn., is the author of an article on medical malpractice rate filings that ran in *Physician Insurer*. ▲

New Academy Members

IN THE FIRST HALF OF 2007, 380 new members took an important step in their professional journeys and became members of the Academy.

This newest crop of Academy members is relatively young (the average age is 33) and diverse. Among their numbers are three fellows of the Canadian Institute of Actuaries, two fellows and one associate of the U.K. Institute of Actuaries, and one fellow and one associate of the Australian Institute of Actuaries. The new members include 276 who are either fellows or associates in the Society of Actuaries, 72 who are either fellows or associates in the Casualty Actuarial Society, five

who are either fellows or members of the American Society of Pension Professionals and Actuaries, and one fellow and one associate in the Conference of Consulting Actuaries. There are 49 enrolled actuaries.

The vast majority (244) are employed by some insurance organization. Of the rest, 70 are consulting actuaries, nine work for an organization serving insurance, four are listed as government employees, two work for insurance departments, and one works for an insurance broker. For readers doing the math, the employment of the rest is listed as miscellaneous, unaffiliated, or unknown.

Russell Howard Ackerman
Andrew Adams
Mawunyo Kwasi Adanu
Jon Richard Aerni
Igor Afanassiev
Armine Aharonyan
Eileen MacDonnell Allen
Philip Michael Allen
Roger Glenn Allen
Julie Anderson
Mark Anderson
John Anthony Annino
Amel Arhab
Carlos Arocha
Yuliya Vladimirovna
Artemov
Steven Babyak
Yongmei Lori Badgett
William Bainbridge
Robert Baldwin
Kirsten Camilla Barnum
Alexis Monique Morin
Christopher Edwin Bean
Anthony O'Boyle Beirne
Susan Bellingham
David Benseler
Tatiana Berezin
Jonathan Besecker
Robert Birmingham
Nicola Leslie Blaha
Ellen Jo Bode
Alexander Bogdanov
James M Boland III
Eric Wayne Bookman
Samuel Boustani
Ishmealina Boye
James Brahm
Stephanie Lyn Breuer
Adam Brown
Elizabeth Brown
Emojoy Brown
Lan Zang Brown
Melissa Ann Brown
Kati Buccinna
Robyn Budyszewick
Timothy Bulat
Seth Lee Marshall Burstein
Lindsey Bussabarger
Xiaoyan Vanessa Cao
Corey Carriker
Lauren Cavanaugh
Adam Chan
Bernard Lee Chan
Ezekiel Yih-Neng Chang
Ioannis Chatzivasiloglou
Jung-yi Chen
Michael Chen
Yon-Loon Chen
Li Cheng
Boris Chernyak
Chung Man Janice Ching

Vernon Lionel Chorn
Diana Chow
Linda Chow
Melanie Christensen
Huong Elaine Chu
Joanna Chu
Brent Robert Chubbis
Raul Cisneros
Peter Geoffrey Clare
Christopher Cleveland
Xiaolu Mu Coffey
Daniel William Colby
Jared Collings
Allan Corkum III
Adriel Cornman
Tom Crawford
Karen Crosby
Frederica Daniels
Dawne Davenport
Nicholas Jeremy Davis
Victor Pratt Davis
Amy Dehart
Lisa-Ann DeNeill
Emily Mae DeWald
Evan Landau Dial
Jeffrey Dollinger
Monica Dragut
Haihua Du
Mary Anne Dutemple
Brett Brooks Dutton
Sarah Duyos
Carolyn Edmunds
Timothy Nicholas Egizio
Seda Ekizoglu
David Vern Ellsworth
Yehoshua Engelsohn
Christopher Keith Falconer
Caryl Fank
Christopher Fanslau
Denise Fast
Philip Fehlen
Julie Ferguson
Kevin Ferris
Ryan Edward Fleming
Timothy Fleming
Jason Franken
Brian David Frick
Yingmin Fu
Andrew Louis Gaffner
Joseph Gage
Michael Gagliardi
Timothy Garcia
Emily Whitney Gingrich
Alla Golonesky
Heather Gordon
Jennifer Graham
Shawn Alan Graham
Paul Griffin
John Grove
Mary Ann Grzyb
Yan Guo

Damon Hacker
Jeannette Marie Haines
Andrew Michael
Hallsworth
David Scott Hamilton
Michael Hanley
Ronald James Harasym
Kevin Hare
Lynette Louise Harel
Jason Heissler
Amanda Holland
Jeffrey Royal Holloway
Adam Michael Holzman
Sheri Holzman
Wei-Fang Hsieh
Jei-Pei Huang
Zhaosheng Huang
Trevor Huseman
Yueh-Hwa Serena Hwang
Aniela Karina Iancu
Malgorzata Jankowiak-Roslanowska
Adam Jarvela
Andrea Johnson
Aaron Paul Jurgaitis
Nicholas Kallis
Suzanne Karam
David Kaye
Timothy Keister
Bilal Arshad Khan
Samir Khare
Thomas Kilcoyne
Ji-Hyun Kim
Patrick Kinlaw
Sebastian Joseph Kleber
Sarah Klein
Chad Andrew Kleindorfer
Stuart Kliternick
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Kush Kotecha
Matthew Paul Kotten
Ellen Krol
Inna Krykova
Robert Kuhl
Michael David Kula
Sumit Kundu
Kevin Kuzmick
Christopher Kwon
Stephane Lalancette
Misty Lam
Jeffrey Lamy
Ryan Lane
Grace Katherine Lattyak
Don Le
Jeffrey Lee
Jeffrey Leeds
Casey Michael Leth
Maria Lynn Leth
Haobo Li
Huibin Li
Liya Li

Mei Li
Monica Li
Thutruc Tran Li
Yi Li
Margaret Liang
Donna Licciardi
Bing Lin
Joseph Litka
Shujuan Liu
Eric Lo
Brett Logterman
William Londerece
Di Lu
Michael Vincent Lucchese
Joanne Lui
Paul Thomas Lupica
James David MacLean
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Dorothy Lentz Magnuson
Eric Edward Malacane
Kurt Michael Manke
Rodney Muchineripi
Manzanga
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Michelle Marks-Salama
Jonathan Martin
Christopher Martinez
Kimberley Michelle Mason
Michelle Anne McAfee
Robert McCleish IV
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Edwin Larry McNamara Jr.
Todd Meier
Ning Meng
Chad Mezvinsky
Scott Joseph Michels
Chris Michelstetter
Gary Miller
Travis John Miller
Yuna Mindlin
Anna Mitchell
Laura Mitchell
Shane Mock
Kerry Moroz
William Muccifori
Megan Mulcahy
Lisa Mullennix
Randy Murray
David Mycek
Ben Neelley
Kristi Nelson
Benjamin Reiter Newton
Melissa Nicholas
Ning Ning
Stephanie Micaela Noonan
Jason Nowakowski
Henry Nwokoma
Sean O'Dubhain
Brad Ober
Amy Ovuka
Ginette Pacansky

Fausto Palazzetti
Pete Panno
Phillip Panther
Brian Edward Pauley
Robert Peat
Loreley Pena Banchik
Samuel Peters
Paul Michael Pierantozzi
Jennifer Pilkington
John Pinkerton
Chonlada
Pongpipattanachai
Martha Bronson Posey
Louis Broadrick Posick
David Prario
Stephen Prevatt
Jeffrey Todd Provanca
Brenton Charles Pyle
Thomas Pyle
R. Douglas Rader
Moshe Daniel Radinsky
Merideth Angela Randles
Anita Marie Recchio
Douglas Redman
Jeremy Shane Reed
Nicholas Joseph Reed
Jeremiah Reuter
Scott Reznick
Joseph Michael Rinker
Joanie Roberts
Crystal Robinson
John Donovan Rodgers
Paul David Roe
Brad Rokosh
Steven Leslie Rolfmeier II
Scott Jason Rosenberg
Jeffrey Roth
Yori Barak Rubinson
Philip Russo
Elina Ryabtseva
James Joseph Sabater
Richard Lee Santos
Anita Sathe
Daniel Brian Schnur
David Scholl
Daniel Schommer
Kathleen Schroeder
Tricia Schwabenbauer
Cory Joseph Sehlhorst
Kathleen Selck
Gregory Vincent Sgrosso
Jonathan Shampo
Abdullah Sheikh
Melissa Lillian Shelley
Frances Hsiao-Chien Shen
Zilan Shen
Renee Shiller
William Shipley
Kevin Lynn Shirley
Prabhdeep Singh
Stacey Sinkula

ASB Activities

Helen Sirois
Nancy Skinner
David Andrew Smead
Gregory Smith
Robert Smith
Hillel Soberman
Daniel Soderberg
Anita Solow
Fuying Song
Isaac Squire
Amy Lyn Steburg
Gerald Stein
Denise Stephenson
James Sterner
Dan Stites
Nathan Stone
Michael Strome
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Chi-Ping Wang
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Jianli Wang
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Malichi Scott Waterman
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Clark Weeks
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Kevin Woodrich
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Jonathan Woodworth
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Yanming Wu
Joseph Larry Wurzbarger
Shuo Xu
Frank Lee Yeager
Rong Yi
Lynn Yu
Ilana Zener
Ying Zhang
Kan Zhong
Li Zhou
Song Zhou
Jingqiu Zhu
Yonghua Nicole Zhu
Zengdi Zhuang

AT ITS JUNE 26-27 MEETING in Washington, the Actuarial Standards Board (ASB) met via teleconference with Paul Seymour, chairman of the British Board for Actuarial Standards.

Formed in 2006 in response to findings in the Morris Commission's review of the British actuarial profession, the board is a government entity that sets technical (but not professional) standards for British actuaries.

During the teleconference, Seymour and ASB members compared notes on the two standard-setting bodies and discussed the role of non-actuaries in the standard-setting process. Seymour expressed interest in attending an ASB meeting later in the year, and proffered an invitation to any member of the ASB visiting London on the second Monday of the month to attend a meeting of the British board.

At the same meeting, the ASB adopted

the property/casualty unpaid claim estimates draft document as Actuarial Standard of Practice (ASOP) No. 43. As stated in the second exposure draft, the new **standard** will be effective Sept. 1. The ASB also approved the **exposure** of the repeal of ASOP No. 9, *Documentation and Disclosure in Property and Casualty*

Insurance Ratemaking, Loss Reserving, and Valuations. The exposure document includes a table showing how each section of ASOP No. 9 is covered by ASOP No. 41, *Actuarial Communications*, and by several precepts of the **Code**

of Professional Conduct (thereby obviating the need for ASOP No. 9). At the same time, the board approved a proposal to review and revise ASOP No. 41 so as to bring it up to date with current practice.

Finally, the board established a task force to review and propose any appropriate changes to the **introduction** to the standards that was adopted in December 2004. ▲



Life and Health Qualifications Seminar

Nov. 5-8, 2007

Key Bridge Marriott
Arlington, Va.



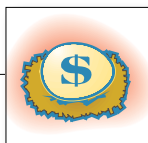
AMERICAN ACADEMY of ACTUARIES

WHO SHOULD ATTEND? FSAs (effective 2000 or later) may not meet all of the life- and health-specific qualification standard requirements to be able to issue Prescribed Statements of Actuarial Opinion. The Life and Health Seminar can solve that problem. For more experienced actuaries, it may also serve as a basic education refresher or a component of continuing education.

The seminar will be taught by recognized industry experts, including:

- **Donna Claire**, president of Claire Thinking Inc.
- **William Cutlip**, president of William C. Cutlip Consulting
- **Darrell Knapp**, executive director of Ernst & Young LLP
- **Esther Milnes**, former vice president and chief actuary, individual life, of Prudential Financial
- **Craig Morrow**, actuary with the Hartford Life Insurance Cos.
- **Sheldon Summers**, chief actuary for the California Department of Insurance
- **William Thompson**, principal and consulting actuary for Milliman
- **D. Joeff Williams**, consultant with Actuarial Management Resources

For more information and to register online, go to www.actuary.org/seminar/index.asp or contact Rita Winkel, the Academy's legal assistant (202-223-8196; winkel@actuary.org).



Disparate Benefits: Women and Social Security

SOCIAL SECURITY BENEFITS are calculated using gender-neutral rules. But because of earnings histories and other factors, the distribution of benefits can be anything but equal. According to a new [Academy issue brief](#), not only is the average woman more likely to receive benefits that are lower than those of her male counterpart, she is also more dependent on the benefits she receives.

Written by the Academy's Social Insurance Committee, *Women and Social Security* examines both the factors that contribute to disparities in Social Security benefit levels between men and women and the specific impact of various reform proposals, including individual accounts, on the retirement security of older women.

"As policymakers evaluate various options to reform Social Security, they shouldn't forget that Social Security remains an extremely important source of retirement income for women," said Ken Buffin, chairperson of the Social Insurance Committee.

Because of Social Security's gender-neutral rules, a woman who retires with the same average lifetime earnings as a similarly situated man will receive the same benefit. But the average woman's work history is often not the same as that of the average man. Not only are women more likely than men to take time off from work because of child care or other family responsibilities, women are generally paid less than men. In 2005, the nationwide median wage for women working full time was only 77 percent of that for men.

These factors, coupled with the facts that women are less likely to have disability coverage, that they continue to live longer than men, and that they are more likely to be single, widowed, or divorced in retirement, mean that women are much more likely to deplete their savings and depend on Social Security as their primary source of income in retirement.

The numbers are telling: More than 40 percent of women 62 and older rely on Social Security for 90 percent of their income, compared with 28 percent of

men older than 62. The poverty rates for single women 65 and older are some of the highest for any subgroup in the country. While the poverty rate for a married couple over 65 is only 5 percent, the number jumps to over 20 percent for single women in the same age range.

The issue brief looks at some current Social Security reform proposals with an eye toward their effect on women. In the case of proposals to require or allow individuals to accumulate a portion of their Social Security contributions in individual accounts, the risks for older women are familiar: amassing inadequate benefits, outliving funds, absorbing inflationary costs if benefits aren't adjusted for changes in cost of living, and losing spousal benefit assets because of death or divorce.

Other members of the committee who contributed to the issue brief are Ed Burrows, Michael Callahan, Ron Gebhardt, Eric Klieber, Dimitry Mindlin, Bruce Schobel, Sven Sinclair, P.J. Eric Stallard, Ken Steiner, Joan Weiss, and Louis Weisz. ▲

DOE PENSION, continued from Page 1

other groups and by key legislators. As a result, Academy staff and volunteers spent considerable time discussing the policy with congressional staff, other policymakers, and the media before Congress forced the DOE to suspend the policy for a year.

This past spring, the DOE issued a request for comment that clearly outlined the personnel issues it was facing and the reasons for its proposed pension policy. One very significant factor the DOE cited was the difficulty of reconciling its unavoidably consistent revenue base (the budget) with a volatile pension funding requirement. In its request for comment, the DOE made it clear that it still favored its original policy and that in the absence of significant opposition it would move toward re-implementing it.

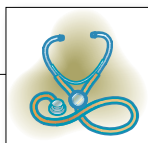
Once again, the Academy weighed in. The level of detail provided in the DOE's request for comment made it easier to respond comprehensively on each point the DOE raised. In its second [letter](#), the Academy acknowledged the DOE's concerns but demonstrated that prohibiting DB plans for future employees wouldn't control the volatility or level of pension expenditures. At the same time, the Academy suggested other courses of action that could resolve the DOE's issues without destroying its current retirement plan framework and creating even more problems for the department, its contractors, and their employees.

All of the many comment letters the DOE received were made public, and the Academy's letter was frequently quoted in the media. We believe the Academy's

reputation gave our letter extra credibility with both the media and with policymakers.

In the end, pressure from Congress, union representatives, contractors, and other interested parties (based in part on input from the Academy and actuarial consulting firms) convinced the DOE that it should rescind its policy. We believe that our perspective on other ways to resolve the DOE's concerns gave the department a way to gracefully back away from the controversial policy without rejecting its primary goal of finding a way to control volatility.

James Verlutz, a consultant with Mercer Human Resource Consulting in Minneapolis, is chairperson of the Pension Committee and a member of the Academy's Board of Directors.



Texas Op-Ed Draws Academy Correction

AN OPINION PIECE by Texas policymakers that misrepresented the Academy's position on accrual accounting for other post-employment benefits (OPEBs) drew a quick response from the Academy's Joint Committee on Retiree Health.

The opinion piece, signed by Susan Combs, Texas' comptroller of public accounts, Sen. Robert Duncan, and Rep. Vicki Truitt, supported Texas legislation that would impede the implementation of accounting standards requiring governments to report the full annual cost and long-term unfunded obligation of OPEBs. The authors misinterpreted the Academy's position on Governmental Accounting Standards Board (GASB) statement 45 when writing that "the American Academy of Actuaries believes the rule would damage the credibility of a balance sheet and add unwarranted volatility."

The basis for this assertion was the joint committee's 2006 [letter](#) to the Financial Accounting Standards Board (FASB), which was developed in response to proposed changes to financial accounting standards for pension and OPEBs in the private sector. The 2006 letter suggested that FASB consider revising the measurement process before assigning the existing measure of obligation to the balance sheet. It did not, however, advocate that the obligation should be marked to zero as the opinion piece suggested.

On July 2, *The Bond Buyer*, a national publication on municipal bonds, published a letter to the editor signed by Jeffrey Petertil and Adam Reese, who co-chair the joint committee. The letter, one of several letters to Texas policymak-

ers and various publications, asserts the joint committee's support for the process that led to GASB 45, as well as accrual accounting for OPEBs.

"We were concerned that our response to FASB's invitation to comment on incremental reform was being used to gut the entire work of GASB, which we largely support," said Petertil. "The Texas officials' selective use of language in our FASB letter was relayed to us by actuaries, and others in that state, who had an accurate sense that we were being quoted out of context. Our initial response was measured, but the publication of the opinion piece demanded a stronger statement from the committee and the Academy in support of GASB."

The letter to the editor was based, in part, on the committee's June 15 [comments](#) to Texas Governor Rick Perry and other Texas officials, stating that the 2006 letter to FASB was not intended to advance legislation that would negate GASB 45. The committee's letter to Governor Perry addresses in more detail the differences between accounting standards for private-sector plans and those for gov-

ernmental entities and points out that GASB standards deal with governmental entities, which often provide stronger benefit guarantees than private-sector plans subject to FASB.

"The profession expected the change from cash to accrual accounting to have a major impact on governmental employers—in part because OPEBs are much more prevalent in the public sector than in the private sector," said Reese. "We didn't expect to see an ostrich-like reaction from state legislators."

In its letters, the joint committee concludes that ignoring relevant financial information about the future cost of retiree health benefits will not protect taxpayers and other stakeholders.

The Academy is continuing its efforts to work with both GASB and FASB on issues related to accounting for OPEBs. Similarly, the joint committee will work with the Society of Actuaries, as well as the joint Pension Finance Task Force, to develop research on appropriate measurement and accounting for retiree health benefits.

—HEATHER JERBI

Effective P/C Loss Reserve Opinions Seminar

Oct. 17 and 18

Hilton Chicago O'Hare Airport

Presented annually by the Academy's Committee on Property and Liability Financial Reporting, the seminar is designed for actuaries who expect to prepare and/or sign NAIC Statements of Actuarial Opinion on property/casualty loss reserves in 2007.

- The seminar focuses on regulatory and professionalism concepts, rather than on more fundamental techniques studied by actuarial students.
- A small class size ensures that participants will take concrete skills back to their employers.
- Seminar instructors include top professionals who serve as company, consulting, and regulatory actuaries.

For more information and to register, go to www.actuary.org, or contact Kasha Shelton, the Academy's administrative/legislative manager (Shelton@actuary.org; 202-223-8196).

Correction In a June *Update* article on the April Financial Accounting Standards Board (FASB) roundtable discussion on valuation guidance, Leslie Seidman was erroneously identified as a FASB staff member. She is, in fact, a board member.



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REVISED STANDARDS, continued from Page 1

ommendations, findings, or opinions based upon actuarial considerations.”)

► To meet the general qualification requirements under the revised Qualification Standards, an actuary must obtain membership in one of the five U.S. actuarial organizations or be a fully qualified member of another actuarial organization that is a member of the International Actuarial Association; have three years of responsible actuarial experience, defined as work that requires knowledge and skill in solving actuarial problems; and be knowledgeable, through examination or documented professional development, of the laws applicable to the SAO as defined in the Code of Professional Conduct.

► Beginning in 2009, annual continuing education (CE) requirements are 30 hours per year, of which a minimum of three CE credit hours must cover professionalism topics and a minimum of six must be from organized activities that, as defined in the revised Qualification Standards, involve interaction with actuaries or other professionals working for different organizations. The new CE requirements take effect on Jan. 1, 2008, but are being phased in so that only 24 hours of CE are required in 2008 for actuaries issuing SAOs in 2009.

► Through 2010, enrolled actuaries (EAs) who

issue SAOs related to retirement plans to which ERISA applies will be exempt from the new CE requirements if they meet the CE requirements of the Joint Board for the Enrollment of Actuaries. However, EAs who issue SAOs not covered by this exemption, such as SAOs related to supplemental retirement plans or post-retirement medical benefits, must meet the CE requirements of the revised Qualification Standards.

► Under the new standards, there is no longer a process for becoming an approved CE provider. It is now up to the individual actuary to determine if attendance and participation in a particular event constitute an organized activity that is directly relevant to the actuary's practice area relative to the subject matter of any SAO.

In a July electronic letter to all Academy members, Lehmann outlined an extensive upcoming program of education about the new requirements, including articles in the *Update* and *Contingencies* and postings on the Academy's website, a Sept. 20 educational webcast, and presentations at the fall annual meetings of all five U.S. actuarial organizations. As further information becomes available, it will be posted on a [special page](#) on the Academy's website. ▲

NAAC Statement of Position on Practice Standards and Other Guidance

Editor's Note: At its July 14 meeting in Montreal, the North American Actuarial Council passed the following statement of position to affirm the importance of practice standards and other guidance and to ensure that they are reviewed on an ongoing basis so that they reflect sound actuarial principles and advances in actuarial practice. The statement was signed by the presidents and presidents-elect of all U.S., Mexican, and Canadian actuarial associations.

In recognition of:

► The actuarial profession's commitment to identify, protect, and advance the public interest in the work of our profession,

► The importance of practice standards and other guidance to both our profession and the public, and

► The demands of a dynamic world on a dynamic profession,

the undersigned leaders of the actuarial professional associations comprising NAAC recognize that our profession must continually advance. Accordingly, in concert with the ever-evolving actuarial needs of the public, we are committed to:

► Support the continual improvement of actuarial practice,

► Assess and proactively identify where practice standards and other guidance should be advanced, and

► Communicate to the profession and the public how advances in practice standards and other guidance are in the public interest.

NAAC (the North American Actuarial Council) is composed of the presidents and presidents-elect of the various North America actuarial professional associations.