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JAMES KENNEY

Final Regulations Provide Answers, Prompt Questions

OVER THREE YEARS after the Pension Protection Act was passed and after several rounds of proposed regulations, the Internal Revenue Service (IRS) finally issued final regulations in October on Internal Revenue Code Sections 430 and 436. On the one hand, the regulations provide for certain actuarial discretion, such as allowing employers to change their "irrevocable" 2008 elections regarding how valuation interest rates are to be determined or allowing employers to switch from using the market value of assets to asset averaging (and vice versa) without IRS approval in 2009 or 2010. However, in many ways, the rulings also enforce a number of changes—or make final decisions on previously undecided questions—that require critical examination.

For instance, the flexibility provided by asset averaging is tempered

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Inside this issue

CHET ANDRZEJEWSKI AND LANE WEST

New Resources for Assumption-Setting

THE ACADEMY'S PENSION COMMITTEE issued two practice notes in October to provide information to actuaries on current and emerging practices in the selection and documentation of mortality assumptions and other pension assumptions for measuring obligations of defined benefit pension plans and other post-retirement benefit plans.

The practice notes are intended to be an aid to actuaries when setting assumptions or providing advice on setting assumptions, for funding (where permitted by law), and for financial accounting. They are intended to be illustrative and spur professional discussion on this topic. They are not binding upon any actuary and are not definitive statements as to what constitutes generally accepted practice.

The practice notes are intended to complement the following actuarial standards of practice (ASOPs) related to pension assumptions:

- ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, which ties together the guidance from certain other standards on measuring pension obligations;
- ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*;
- ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*; and
- ASOP No. 41, *Actuarial Communications* (revision pending).

Mortality Assumptions

Selecting a mortality table is one area in which actuaries are most commonly recognized as credible authorities. The practice note *Select-*

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Active Participant Reductions Affect DB Plans

THE IMPACT OF 2008 ASSET AND BOND EXPERIENCE on defined benefit pension plans was dramatic, with many plans seeing large declines in funded status and large increases in required contributions. The fallout during 2009 has sometimes been dramatic, leading to layoffs and plant shutdowns. It is important for us as actuaries to consider all the requirements surrounding these actions that work to reduce a plan's active participant count.

Because it may have been some time since many actuaries have considered these requirements, the topic is worth a refresher. Though the following issues are not an exhaustive review of considerations surrounding reductions in active workforces, they serve as a reminder of items to evaluate when taking actions involving defined benefit plans during these tough economic times.

PBGC Reportable Event

The easiest requirement to consider is a Pension Benefit Guaranty Corp. (PBGC) reportable event. Basically, the PBGC wants to be made aware of anything that might cause a plan to be transferred to it. The test is simply to compare the total active head count from the beginning current plan year (or current time period) to the active head count at the beginning of each of the prior two plan years. If the ratio is less than 80 percent over a one-year period or less than 75 percent over a two-year period, then the reduction warrants a filing with the PBGC. The filing itself is simple, with a basic form (Form 10) to be completed with text. Waivers are met through certain plan circumstances. The general timing for submission is 30 days from the time that the sponsor was aware that a filing was due, although certain extensions currently apply. (Note that the PBGC issued proposed regulations on Nov. 23 that would eliminate all extensions and virtually all waivers.)

Partial Plan Termination

Another requirement involves partial plan terminations. Internal Revenue Code Section 411(d)(3) specifies that a partial plan termination can result when employees are severed from employment by an action of the employer or when a plan amendment excludes a group of employees previously covered under the plan. The key idea is that the reduction in active plan participants is driven by some action of the employer. Therefore, voluntary terminations are not included.

The measurement itself for a partial plan termination is based on relevant facts and circumstances. This means, among other things, that the measurement period is not fixed but rather varies by situation. A ratio is determined that places the participants included in an employer-initiated severance (cumulative over all events) over the total active participants at the beginning of the measurement period. If this ratio is 20 percent or greater, a partial plan termination is deemed to have occurred. The impact of a partial plan termination is that the plan must provide immediate vesting to participants affected by the employer actions.

It is important to note that the partial plan termination rules apply to both defined benefit and defined contribution plans.

PBGC Plant Shutdown

The final requirement we will consider concerns the PBGC regulations to protect participants (and the PBGC) in the event of plant shutdowns. When significant plant shutdowns occur (i.e., when more than 20 percent of active participants are separated from employment), the PBGC becomes concerned that the employer may not be able to meet its benefit obligations. Section 4062(e) of the Employee Retirement Income Security Act contains provisions intended to protect the plan. It requires that the plant shutdown be treated as if the employer were withdrawing from a multiemployer plan. A strict reading of the corresponding regulation would require that assets equal to the underfunded portion of the separate group's liability be set aside for the plan. This asset is then utilized if a full termination of the plan occurs within five years; otherwise, the asset is returned to the employer. Given the number of underfunded plans in the current economic environment, this is a rule to be aware of when a plant shutdown is being considered.

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Joint Board Issues Proposed Regulations for Pension Actuaries

Editor's Note: The following was taken from an Academy Alert sent to Academy members on Sept. 24, 2009.

On Sept. 18, the Joint Board for the Enrollment of Actuaries issued proposed regulations updating and amending several requirements for pension actuaries and actuarial services governed by the Employee Retirement Income Security Act of 1974. The Internal Revenue Service and Department of Labor share oversight of the Joint Board. The proposed regulations were published in the *Federal Register* on Sept. 21.

There are five important areas of change in the proposed rules.

Enrollment and Re-enrollment

- The pension actuarial exam would have to be completed within the 10-year period immediately before the application date for initial enrollment.
- When applying for enrollment, all actuarial and pension actuarial experience would have to be certified in writing by individuals, including an enrolled actuary, with knowledge of the actuary's experience.

Continuing Professional Education Requirements

- The permissible forms of programs qualifying for continuing professional education (CPE) credit and record keeping would be clarified and updated.
- The use of alternative means for completion of CPE requirements would be kept (removing college courses), but the rules would limit the portion of total CPE that may be earned under these alternative approaches.
- A provision awarding CPE credits to a co-author of a publication or to someone listed as a major contributor to a publication would be added.
- The number of core CPE credits required after the enrolled actuary's initial enrollment renewal would be reduced from 18 required core hours to 12 required core hours (no change to total of 36 hours per renewal cycle).
  - A minimum of two hours of CPE credit relating to ethical standards must be completed in each enrollment cycle.
  - One-third of required total CPE must be in the form of formal programs.

CPE Requirement Waivers

- The existing list of reasons for which a CPE waiver could be granted would be eliminated and a waiver could be granted only under extraordinary circumstances and only upon submission of evidence that every effort was made during the entire renewal cycle to complete such requirements.

Enrollment Status

- Enrollment status would be limited to one of two categories, "active" or "inactive."
- For those in inactive status, re-enrollment CPE and/or experience requirements would now increase, with more stringent requirements applying to those who have been inactive for a longer period of time and a cap on the period of inactivity.

Standards of Conduct

- Enrolled actuaries would be required to perform actuarial services in accordance with all applicable laws and the relevant standards of professional responsibility, as well as report any material violation of this section by another enrolled actuary to the Joint Board's executive director.
- Provisions on conflicts of interest would be modified, due diligence requirements expanded, and provisions similar to those in Circular 230 (e.g., solicitations of employment, return of client records, etc.) would be included.

Pension Committee Responds to Joint Board

The Academy's Pension Committee sent a comment letter on Nov. 20 in response to the Joint Board for the Enrollment of Actuaries' proposed regulations on requirements for pension actuaries.

In the letter, the committee requested clarification on a number of issues contained in the regulations, specifically those related to continuing professional education (CPE) requirements, standards of performance of actuarial services, and types of enrollment statuses.

Among the requests were an expanded and clarified definition of core and non-core continuing education subject matter, clarification on what material is considered ethical standards material under Section 901.11(e)(2)(vi) to comply with the two hours of ethical standards material as part of the core subject matter requirement, and specifying in the regulation the Academy's Code of Professional Conduct and actuarial standards of practice as "relevant standards" with which enrolled actuaries should be consistent.

The committee also noted the Section 901.11(f)(1) requirement that no less than one-third of total CPE credit for a cycle must be obtained by "attending *in person* a formal program or programs." Instead, the committee requested that educational webcasts, which continue to grow in popularity and are more economical, be included among the formal programs eligible to meet the 901.11(f)(1) requirement, provided they permit attendees to submit questions either online or by phone.

To view the Pension Committee's letter, visit the Academy's website at https://www.actuary.org/pdf/pension/erisa_nov09.pdf.

Updated Social Security and IRS Amounts for 2010

These four tables list updated figures for IRS pension limits, Social Security amounts, covered compensation, and PBGC premiums for 2010.

Andrew Eisner of Buck Consultants Research Department compiled the tables.

Covered Compensation, 2010

2010 WAGE BASE $106,800

YEAR OF BIRTH	AGE IN 2010	SSRA	YEAR OF SSRA	COVERED COMPENSATION ROUNDED TO			
				$1*	$12	$600**	$3,000
1943	67	66	2009	56,629	56,628	56,400	57,000
1944	66	66	2010	59,277	59,268	59,400	60,000
1945	65	66	2011	61,891	61,884	61,800	63,000
1946	64	66	2012	64,471	64,464	64,200	63,000
1947	63	66	2013	67,017	67,008	67,200	66,000
1948	62	66	2014	69,414	69,408	69,600	69,000
1949	61	66	2015	71,726	71,724	72,000	72,000
1950	60	66	2016	73,929	73,920	73,800	75,000
1951	59	66	2017	76,054	76,044	76,200	75,000
1952	58	66	2018	78,086	78,084	78,000	78,000
1953	57	66	2019	80,057	80,052	79,800	81,000
1954	56	66	2020	81,977	81,972	82,200	81,000
1955	55	67	2022	85,629	85,620	85,800	87,000
1956	54	67	2023	87,394	87,384	87,600	87,000
1957	53	67	2024	89,074	89,064	88,800	90,000
1958	52	67	2025	90,660	90,660	90,600	90,000
1959	51	67	2026	92,186	92,184	92,400	93,000
1960	50	67	2027	93,651	93,648	93,600	93,000
1961	49	67	2028	95,057	95,052	94,800	96,000
1962	48	67	2029	96,377	96,372	96,600	96,000
1963	47	67	2030	97,680	97,680	97,800	99,000
1964	46	67	2031	98,940	98,940	99,000	99,000
1965	45	67	2032	100,123	100,116	100,200	99,000
1966	44	67	2033	101,220	101,220	101,400	102,000
1967	43	67	2034	102,197	102,192	102,000	102,000
1968	42	67	2035	103,071	103,068	103,200	102,000
1969	41	67	2036	103,826	103,824	103,800	105,000
1970	40	67	2037	104,451	104,448	104,400	105,000
1971	39	67	2038	105,017	105,012	105,000	105,000
1972	38	67	2039	105,557	105,552	105,600	105,000
1973	37	67	2040	106,037	106,032	106,200	106,800
1974	36	67	2041	106,397	106,392	106,200	106,800
1975	35	67	2042	106,663	106,656	106,800	106,800
1976	34	67	2043	106,800	106,800	106,800	106,800
1977	33	67	2044	106,800	106,800	106,800	106,800

* 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(l). Thus, integrated plans using this table are not safe-harbor plans.

PBGC Premiums	2010	2009
Single-employer Plans:		
Flat-rate premium (per participant)	$35.00	$34.00
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

Social Security—2010 Figures

On Oct. 15, the Social Security Administration announced updated figures for 2010.

Wage Base The maximum amount of earnings taxable in 2010 is $106,800 for Social Security purposes.

COLA The cost-of-living increase in benefits is 0.0 percent, first applicable to December 2009 benefits, payable in January 2010.

Wage Index The average annual wage figure of $41,334.97 will be used in computing benefits for workers who become eligible in 2010. This figure is based on data for the last complete year (2008) and was used to determine other wage-indexed numbers given in the table below.

FACTOR	2010	2009
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%	5.8%
Average annual wage (based on data two years earlier)	$41,334.97	$40,405.48
PIA formula, 1st bend point	$ 761	$ 744
PIA formula, 2nd bend point	$ 4,586	$ 4,483
Maximum family benefit, 1st bend point	$ 972	$ 950
Maximum family benefit, 2nd bend point	$ 1,403	$ 1,372
Maximum family benefit, 3rd bend point	$ 1,830	$ 1,789
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	$ 1,090
FICA (employee) tax rate:		
Social Security (OASDI)	6.20%	6.20%
Medicare (HI)	1.45%	1.45%
Total	7.65%	7.65%
SECA (self-employed) tax rate, total	15.30%	15.30%

IRS Pension Limits for 2010*

Principal Limits

IRC	LIMIT	2010 ROUNDED	2009 ROUNDED	2010 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
415(b)(1)	Defined benefit plan limit	$195,000	$195,000	$194,160	$200,000	3.1%
415(c)(1)	Defined contribution plan limit	49,000	49,000	48,540	50,000	3.1%
401(a)(17)	Limit on includible compensation **	245,000	245,000	242,700	250,000	3.1%
402(g)(1)	Limit on 401(k)/403(b) elective deferrals	16,500	16,500	16,437	17,000	3.5%
414(q)	HCE definition	110,000	110,000	109,664	115,000	4.9%
414(v)(2)	401(k)/403(b)/457(b) Catch-up deferral limit	5,500	5,500	5,479	6,000	9.6%

Other Limits

IRC	LIMIT	2010 ROUNDED	2009 ROUNDED	2010 UNROUNDED	NEXT INCREMENT	% INCREASE NEEDED
457(b)	Limit on nonqualified deferrals	$16,500	$16,500	$16,437	$17,000	3.5%
416(i)	Top-heavy key employee definition	160,000	160,000	157,755	165,000	4.6%
409(o)(1)(C)	ESOP payouts, five-year limit	985,000	985,000	970,800	990,000	2.0%
409(o)(1)(C)	ESPO payouts, additional one-year limit	195,000	195,000	194,160	200,000	3.1%
408(k)(2)(C)	SEP pay threshold	550	550	546	600	9.9%
132(f)(2)(A)	Commuter/transit limit (monthly)***	230	120	122	-	-
132(f)(2)(B)	Parking limit (monthly)	230	230	231	235	1.8%

* 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, 2009, was less than for the quarter ended Sept. 30, 2008. However, 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 2010 retirement plan limits that are adjusted by reference to Section 415(d) remain unchanged from 2009. In addition, the 2010 unrounded amounts, which are not officially released by the IRS, are shown here as determined by formula and are therefore less than the corresponding 2009 amounts.

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

*** The American Recovery and Reinvestment Act temporarily (March 1, 2009, through Dec. 31, 2010) increases the commuter/transit limit to equal the parking limit.

Tables compiled by Andrew Eisner of Buck Consultants Research Department.

by the restriction that a plan's funding method can be changed only twice in the three-year period from 2008 to 2010 with automatic approval. Since the regulations explicitly deem the details of actuarial valuation software as part of a plan's funding method, this can create an inadvertent "funding method change" during these three crucial years. The year 2008 appears to necessarily involve a change in funding method for most plans, leaving a plan with one more automatic approval, which may be used in either 2009 or 2010. Certain rules in the final regulations regarding the allocation of disability benefits or death benefits that are not directly related to the participant's accrued benefit may force a software change. If the plan sponsor wishes to change (or already has changed) to asset averaging for 2009, any software changes needed to comply with the final regulations must also be made for 2009 in order to qualify for automatic approval.

If you thought you'd already put the 2009 valuation behind you when you signed that 2009 adjusted funding target attainment percentage (AFTAP) certification, according to a Nov. 12 audiocast sponsored by the Academy, American Society of Pension Professionals and Actuaries, Conference of Consulting Actuaries, and Society of Actuaries, there may be an unpleasant surprise waiting for you under the Christmas tree. "If a plan used the old system for 2008 and the new system for 2009, there is no ability to change anything in 2010 with automatic approval," indicated one presenter. "If the new regulations require some changes to software, plans will either have to redo 2009 valuations in the new system incorporating the additional changes or use the old system for 2009 (on the same basis as 2008) and switch to the new system in 2010."

One of the trickier aspects of the final regulations concerns plan sponsor elections to use a portion of the carryover/prefunding balance to meet contribution requirements, especially quarterly contributions. Unlike in prior rules, under which the actuary who had a credit balance could just indicate on the Schedule B that it was being used to offset whatever contributions were required, the plan sponsor now must give the enrolled actuary (and the plan administrator) a written election to use a specific dollar amount of the carryover/prefunding balance to meet each quarterly contribution. The dollar amount must be the discounted value as of the beginning of the year at the plan's effective interest rate, so the election cannot simply refer to the amount of the quarterly contribution due as of the relevant date.

This requirement for a specific amount could potentially prompt a number of questions. In particular, the first quarterly contribution for a given plan year is due April 15 of that year (assuming a calendar-year plan), but what if the effective interest rate for that year is not known by April 15? How can a specific dollar amount as of the valuation date be accurately determined? The actuary may be faced with a choice of using an amount that may turn out to be insufficient—and be stuck with an extra 5 percent interest penalty for the underpayment (not to mention the requirement to notify participants, the PBGC, etc.)—or using more of the balance than is necessary.

Another important facet of the final regulations concerns AFTAP certifications and the interplay between them and the benefit restrictions under Section 436. The range certification, which previously was valid only until the end of September, is now valid through the end of the plan year, unless an actual certification is not made in a timely fashion. In that case, the AFTAP is conclusively presumed to be 60 percent, and the plan may face disqualification if any prohibited payments were made.

If the rules on employer elections seem byzantine in their conception, the strictures regarding Section 436 can make *Alice in Wonderland* appear unimaginative in comparison. A simple listing of terms defined by the final regulations illustrates this looking-glass quality: presumed AFTAP, modified presumed AFTAP, interim value of adjusted plan assets, presumed adjusted funding target, inclusive presumed adjusted funding target, and inclusive presumed AFTAP. Another important consideration is whether a change in an AFTAP is material. Materiality is a key concept in the 436 regulation. A change is material if it changes "plan operations." If a benefit might otherwise be paid—but cannot be paid due to the change—or if a benefit might be otherwise accrued—but cannot be accrued due to the change—then the change is material. Thus a change from 81 percent to 79 percent is material. Counterintuitively, even a change from 91 percent to 89 percent could be material if made after April 1 of the following year because it could affect the presumed AFTAP during the first three months of that year.

One of the particularly tortuous provisions of the final regulations is that a material change in an AFTAP *invalidates* the prior AFTAP. If an actuary certifies an AFTAP of 81 percent on Sept. 30 and 10 days later recertifies the AFTAP as 79 percent, the AFTAP is conclusively presumed to be not 79 percent but 60 percent from Oct. 1 through the rest of the year. The potential for plan disqualification here is obvious.

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THE ACADEMY PENSION COMMITTEE'S practice note *Preparing a Certification of the Adjusted Funding Target Attainment Percentage (AFTAP) for a Pension Pl*an, which was originally released in August, has been revised in light of the final regulations issued on Internal Revenue Code Sections 430 and 436.
To read the latest version, which was updated in December, go to http://actuary.org/pdf/practnotes/aftap_aug09.pdf.

ing and Documenting Mortality Assumptions for Pensions is intended to assist the pension actuary in this decision. While the Pension Protection Act of 2006 (PPA) requires the use of a set of specified mortality tables for qualified single-employer defined benefit plans, there are many situations in which the actuary must select, or assist in the selection of, a mortality assumption. These include valuing governmental plans, performing forecast valuations, and preparing valuations for plans subject to financial accounting standards.

Many factors affect the mortality experience of a group of participants. When selecting a mortality assumption, some of the factors to consider are whether to reflect gender (where not legally prohibited), collar, income, employment status, and the level of mortality improvement. The practice note discusses each of these factors. It also discusses when the use of unisex and no mortality assumptions might be appropriate.

Actuaries are often asked if they are using the most recent table, but the practice note examines whether the Retired Pensioners Mortality Table (RP-2000) is appropriate in all situations. For instance, the Internal Revenue Service endorsed certain RP-2000 tables for valuing single-employer defined benefit plans. Also, did you know that multiemployer and public plan experience was excluded in the development of these tables? Appendix I of the practice note contains a summary of relevant table characteristics from all of the recent published pension mortality tables.

One area of particular interest in the practice note is mortality improvement. The RP-2000 tables adopted the AA improvement scale. This scale is based on federal civil service and Social Security experience from 1977 to 1993. Do these improvement rates still reflect the best estimate of future experience? The most recent published experience indicates improvements for females have been less than expected by the AA scale (Q-and-A No. 11). However, others have stated that more recent mortality improvements have exceeded Scale AA. Clearly, this is an area where more analysis is needed. The practice note includes a discussion of the various issues, such as when the use of improvement scales is more significant (e.g., when cost-of-living increases are regularly granted) and when the use of such scales is less significant (when lump sums are generally paid).

Other Assumptions

Actuaries may find that given the current market turmoil and challenging economic conditions, setting assumptions and re-evaluating assumptions are of heightened importance. The following are two key questions, among others, that can be answered using the practice note *Selecting and Documenting Other Pension Assumptions*:

What are issues that might be considered when selecting assumptions during the current economic downturn?

Events, such as a downturn in the economy, may significantly change expectations about future experience under a pension plan. Thus, the actuary might review his or her assumptions for the next valuation even if little time has passed since the last review. Some of the issues the actuary might consider are:

- Compensation scale changes to reflect an employer's decision to reduce or eliminate compensation increases during the expected period of the downturn;
- Expected retirement age and termination rate changes to reflect workforce reductions;
- The impact of changes in a pension plan (e.g., a benefit freeze), of changes in other plans (e.g., retiree medical benefit reductions), and of reductions in employees' financial assets (e.g., defined contribution plan and personal savings balances) on employees' decisions about when to retire;
- The likelihood that more employees may apply for and be awarded disability benefits;
- Changes in employees' rates of electing certain optional forms of payment, such as lump sums;
- The impact of cuts in hours to be worked for employees in plans that base benefit accruals on hours of service; and
- Changes in the likelihood that unpredictable contingent-event benefits under a plan will become payable owing to the financial prospects of its sponsoring employer.

Using a select and ultimate approach with many of these types of assumptions allows the actuary to reflect short-term differences in expectations without changing the basis of the assumptions for the long term. The actuary may factor out the impact of any significant short-term experience variations when setting assumptions in the future.

Which turnover tables might an actuary consider using when plan-specific experience is not credible or available?

An actuary may consider using the rates from the 2003 Society of Actuaries Pension Plan Turnover Study or the V-Table published by the Conference of Consulting Actuaries. The T-Tables, which were published in the 1950s, have rates that decline faster as employees age compared to these other tables that are based on more recent termination patterns.

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Questions Still Swirl for 2010 EA Meeting

THE ACADEMY AND THE CONFERENCE OF CONSULTING ACTUARIES will host the 2010 Enrolled Actuaries Meeting April 11-14 at the Marriott Wardman Park Hotel in Washington.

By the time the meeting begins, one can only hope that the economy will have rebounded, equity markets will have fully recovered, and the various thresholds related to funding under the Pension Protection Act of 2006 will no longer be causing nightmares. But as we sit here in late 2009, enrolled actuaries have questions aplenty.

To make sure that actuaries have an opportunity to be abreast of all the latest issues, the meeting has sessions devoted to less experienced actuaries, to small plan practitioners, to public plan and multiemployer plan practitioners, and to those actuaries who have to deal with the types of issues that have manifested themselves in these tough economic times. That includes three different benefit restrictions sessions, as well as those related to reductions in workforce, sponsor bankruptcy, and Pension Benefit Guaranty Corp. (PBGC) interventions.

The 2010 EA Meeting will enable actuaries to find answers to many questions and learn what they may not know yet, as expert panelists will discuss recently finalized regulations on funding and benefit restrictions.

The meeting also features recurring favorites such as a review of the Gray Book, late-breaking developments, and dialogues with representatives of the Treasury, Internal Revenue Service (IRS), PBGC, and the Joint Board for the Enrollment of Actuaries. Opportunities also exist to satisfy professionalism credit requirements at sessions on actuarial reports and on the newly proposed Joint Board regulations. In all, attendees can potentially earn up to 18 credit hours of continuing education.

Need more continuing education opportunities? Seminars will take place surrounding the meeting, including a professional standards seminar on April 11, a public plan funding seminar on April 14, and the 2010 Pension Symposium "Retirement Security: Where Are We Headed?" April 14-15.

Attendees should sign up by Dec. 31 for an early-bird registration discount. For more information and to register, visit www.enrolledactuaries.org.

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4010 Reporting After PPA

WHAT A DIFFERENCE A YEAR MAKES. When Amy Viener of the Pension Benefit Guaranty Corp. (PBGC) asked how many people expected to prepare a Section 4010 filing for 2008 at the 2009 Enrolled Actuaries Meeting, few put their hands up. But when she then asked how many expected to prepare a filing next year, the room was full of raised hands. Due to the recent drop in pension plan funded status, Section 4010 is a hot topic.

More than just a disclosure requirement, the information provided in the 4010 filing helps the PBGC identify companies and industries at risk, as well as estimate its claims in case of bankruptcy. Filing is required by control groups that meet one of the following criteria:

- Cumulative missed contributions exceeding $1 million;
- Outstanding funding waivers, where the waived amount is over $1 million; or
- Funding target attainment percentage (FTAP) for a plan is below 80 percent.

The first two tests are unchanged from prior regulations, while the 80 percent test replaces the previous $50 million test and utilizes the FTAP reported on the Schedule SB. Because each plan is tested separately, a small plan could potentially trigger a filing requirement for the entire control group. This risk is mitigated by an automatic filing waiver whenever aggregate underfunding for the control group, after excluding the overfunded plans, is less than $15 million. The filing must be done electronically through a recently updated PBGC online application similar to the online premium filing system MyPAA (My Plan Administration Account).

From a benefit liability calculation perspective, a key change from prior informal guidance is that future service should be taken into account when determining eligibility for retirement subsidies and supplements. Future service is also considered in determining the earliest retirement age and unreduced retirement age for use in the PBGC tables. Plans with subsidized early retirement may therefore see a significant increase in accrued benefits measured at expected retirement age. Other changes include the addition of FTAP and AFTAP measures, as well as the Pension Protection Act funding target using at-risk assumptions. The criteria for exemption from actuarial information are similar to prior regulations, updated to include the $15 million funding shortfall test for plans with fewer than 500 participants.

The 4010 filing is generally due 105 days after the information year ends, and there is a maximum fine of $1,100 per day for late or incomplete filings. Practitioners are encouraged to contact the PBGC with their questions. Because the measurement date under the new rules is the valuation date of the plan year ending in the information year, for many plans it is a year earlier compared to prior rules.

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