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NEWS RELEASE

FOR RELEASE
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American Academy of Actuaries Issues Discipline Notice

WASHINGTON—The American Academy of Actuaries announced that the following discipline action became effective on Dec. 15, 2021.

Notice of Public Discipline
(Effective Date Dec. 15, 2021)

A Disciplinary Committee of the American Academy of Actuaries ("Academy"), acting in accordance with the Academy's Bylaws, has reviewed the findings and a recommendation from the Actuarial Board of Counseling and Discipline ("ABCD") regarding Theodore F. Andersen. Based on the decision of the Disciplinary Committee, the Academy suspends Mr. Andersen from membership for a period of five years for materially failing to comply with Precepts 1, 3, and 4 of the *Code of Professional Conduct* in connection with work he performed concerning a small private pension plan.

Precept 1 requires that an actuary "act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession." Annotation 1-1 amplifies that basic requirement, requiring actuaries to perform actuarial services "with skill and care." As the only qualified actuary at his company, the Disciplinary Panel concluded that Mr. Andersen materially violated Precept 1 with respect to work for the private pension plan in question in the following respects.

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1. Mr. Andersen failed to adequately review or supervise the actuarial work performed under his direction.
2. An amended Plan Document drafted by Mr. Andersen or under his direction:
   - failed to include a valid Plan formula for certain employees;
   - improperly included a reference to an "Allocation of Employer Contribution" despite the fact that this was a defined benefit plan and there was no "employer contribution" to allocate, nor any account to allocate the employer contribution to; and
   - included an ambiguous failsafe provision that Mr. Andersen failed to make clear through amendment or a formal interpretation by the sponsor.
3. Mr. Andersen's actuarial valuations of the present value of benefits accrued were systematically incorrect, and Mr. Andersen repeatedly made computational and technical errors when determining employee benefits.
4. The valuation reports prepared by Mr. Andersen or under his direction and the Schedule SB signed by Mr. Andersen did not reflect the plan provisions provided in the Plan Document from 2011 through 2015. For example, Mr. Andersen failed to identify the measurement date and identify the plan provisions applicable to the measurement, as prescribed by Actuarial Standard of Practice No. 4 (ASOP No. 4), because he failed to reconcile the plan year in the Plan Document with the plan year that was stated in both the 5500 filings and used in the valuations, which in turn caused a failure to select appropriate assumptions for use in plan valuations due to the difference between the plan year in the Plan Document and the plan year used in the actuarial valuations.
5. The valuation reports prepared by Mr. Andersen or under his direction were not always consistent with the Schedule SB signed by Mr. Andersen regarding the determination of the target normal cost of the Plan for the plan year and the funding target of the Plan.

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6. Mr. Andersen failed to satisfy ASOP No. 41 in several respects, among which, Mr. Andersen failed to disclose the impact of his interpretation of the Plan's failsafe provision and the effect Mr. Andersen's non-discrimination testing had on the process for annually determining plan costs and benefits.

Precept 3 requires an actuary to "ensure that Actuarial Services performed … satisfy applicable standards of practice." Precept 4 requires that Actuarial Communications be "clear and appropriate to the circumstances and [their] intended audience, and satisfy applicable standards of practice." The Disciplinary Committee concluded that Mr. Andersen materially violated Precept 3 by, among other actions, failing to disclose the measurement date and plan provisions as required under ASOP No. 4. The Committee further found that Mr. Andersen materially violated Precepts 3 and 4 by failing to produce actuarial communications that were clear and appropriate to the circumstances and did not satisfy ASOP No. 41.

Based upon the foregoing, Mr. Andersen's membership in the Academy is suspended for the next five years. At the end of those five years, if Mr. Andersen wishes to resume membership in the Academy, he must first show that he has satisfied the U.S. Qualification Standards' continuing education requirements by demonstrating that he has completed and documented at least thirty (30) hours, within the previous calendar year, of relevant continuing education of which at least three (3) hours must be on professionalism topics and at least six (6) hours must be "organized activities." In addition, as a further condition of reinstatement, the Academy requires that Mr. Andersen receive counseling from the ABCD.

For more information, please contact David Mendes, assistant director of communications for public affairs at the American Academy of Actuaries, at 202.785.7872. For more information on the American Academy of Actuaries, please visit www.actuary.org.

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