



AMERICAN ACADEMY  
of ACTUARIES

# NEWS RELEASE

**FOR IMMEDIATE RELEASE**  
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**Contact:** Keith Jones  
**Phone:** 202.785.7885  
**Email:** [jones@actuary.org](mailto:jones@actuary.org)

## American Academy of Actuaries Issues Discipline Notice

**WASHINGTON**—The American Academy of Actuaries announced that the following discipline action became effective on May 22, 2014.

### Disciplinary Notice

The Disciplinary Review Panel of the American Academy of Actuaries (“Academy”), acting in accordance with the Academy’s *Bylaws*, has reviewed the findings from the Actuarial Board for Counseling and Discipline (“ABCD”) and a decision by a Disciplinary Panel of the Joint Discipline Council regarding Neil J. Savasta. The Disciplinary Review Panel has reviewed and approved the decision and hereby suspends Mr. Savasta 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*.

Mr. Savasta was the responsible actuary for the June 30, 2008, and June 30, 2009 actuarial valuations of a postretirement benefit plan sponsored by a governmental entity. These valuations were performed under Governmental Accounting Standards Board Statement No. 45 (“GASB 45”).

Precept 1, Annotation 1-1 requires that “An Actuary shall perform Actuarial Services with skill and care.” Mr. Savasta materially violated Precept 1 with respect to these actuarial valuations in the following ways:

- The 2008 valuation was the first valuation Mr. Savasta prepared in accordance with GASB 45, yet he did not familiarize himself with the requirements of that standard.
- Mr. Savasta failed to adequately consider a number of relevant Actuarial Standards of Practice (“ASOPs”). Mr. Savasta was not aware of ASOP No. 6, *Measuring Retiree Group Benefit Obligations*, nor the requirements of ASOP No. 41, *Actuarial Communications*.
- Mr. Savasta did not provide appropriate supervision of the process.
- Mr. Savasta did not effectively implement and maintain the recommendations contained in a 1998 ABCD letter counseling him to ensure that work performed under his supervision is performed with skill and care.

Precept 3 requires that “An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.” Mr. Savasta materially violated Precept 3 in the following ways:

- Mr. Savasta failed to follow ASOP No. 6. Based on the facts and circumstances, it was found that (references are to ASOP No. 6 sections as in effect at the time):
  - The use of a single per capita claims rate for all ages was inappropriate (Section 3.4.7).
  - The use of a single health-care cost trend rate for all years failed to show adequate consideration of the key components of health-care cost trend (Section 3.8.1.a).
  - The use of a single retirement age assumption of 65 was inappropriate, particularly given the significant number of pre-age 65 retirees (Section 3.8.2.c).
  - Mr. Savasta failed to consider reflecting future mortality improvements (Section 3.8.2.d).
  - The valuation report did not identify the plan provisions, per capita claims rates, and other key data with sufficient clarity that another actuary

qualified in this practice area could make an objective appraisal of the reasonableness of the actuary's work (Section 4.2).

- Mr. Savasta failed to follow ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, as required by ASOP No. 6, Section 3.8.2. Based on the facts and circumstances, it was found that (references are to ASOP No. 35 sections as in effect at the time):

- In addition to not satisfying ASOP No. 6, given the size and experience of the plan, the use of a single retirement age was not a reasonable retirement assumption under ASOP No. 35 (Section 3.3.5.a).

- Mr. Savasta failed to consider whether the availability of the employer's pension plan was a relevant factor in setting the retirement assumption (Section 3.5.1.c).

- Mr. Savasta failed to follow ASOP No. 41, as the communication of the valuation results did not identify the actuary responsible for the work (Section 3.1.4), despite the fact that this issue was raised in the 1998 ABCD counseling letter to Mr. Savasta.

Precept 4 requires "An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience, and satisfies applicable standards of practice." Mr. Savasta materially violated Precept 4 in the following ways:

- As noted above, Mr. Savasta failed to sign the two actuarial valuation reports that are the subject of this action, despite the fact that he was the actuary responsible for those reports and despite the fact that similarly inappropriate conduct was identified in the 1998 ABCD counseling letter to Mr. Savasta.

- Mr. Savasta's reports did not provide adequate disclosures as required under ASOP No. 6 and ASOP No. 41.

Based upon the foregoing, Mr. Savasta's membership in the Academy is suspended for the next five years.

For more information, please contact Keith Jones, general counsel and director of professionalism for the American Academy of Actuaries, at 202.785.7885. For more information on the American Academy of Actuaries, please visit [www.actuary.org](http://www.actuary.org).

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The American Academy of Actuaries is an 18,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.