



AMERICAN ACADEMY of ACTUARIES

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# NEWS RELEASE

**FOR IMMEDIATE 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 Jan. 5, 2018.

### **Notice of Public Discipline**

**(Effective Date Jan. 5, 2018)**

The American Academy of Actuaries (“Academy”), acting in accordance with its *Bylaws*, has reviewed the findings from the Actuarial Board for Counseling and Discipline (“ABCD”) and decisions by both a Hearing Panel and an Appeal Panel of the Joint Discipline Council (“JDC”) regarding Timothy W. Sharpe, MAAA, EA. The Academy hereby publicly reprimands Mr. Sharpe for materially failing to comply with Precepts 1, 2, 3, and 4 of the *Code of Professional Conduct*.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 1 of the Code, which requires actuaries to “act . . . with . . . competence.” Annotation 1-1 amplifies that provision by stating that actuaries must “perform Actuarial Services with skill and care.” Specifically, the ABCD and JDC found that in performing a 2011 Other Postemployment Benefits Other Than Pensions (“OPEB”) valuation for the Village of Melrose Park, Illinois

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(the “Project”) Mr. Sharpe failed to confirm whether vision and dental benefits were included in the premium rates that he used in his work and whether surviving spouse benefits were also covered by the plan.

The ABCD and JDC also determined that Mr. Sharpe’s violation of Precept 2 of the Code (discussed below) constitutes a violation of Precept 1.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 2 of the Code, which requires that actuaries “perform Actuarial Services only when . . . qualified to do so on the basis of basic and continuing education and experience, and only when . . . satisf[y]ing applicable qualification standards.” The Qualification Standards impose the obligation on the actuary to be able to document his compliance with the continuing education requirement. The ABCD and JDC determined Mr. Sharpe did not meet the qualification standards required to perform the Project because he failed to meet the continuing education requirement in the health practice area. The ABCD and JDC also concluded that Mr. Sharpe’s violation of Precept 1 also supported its determination that he violated Precept 2.

The ABCD and JDC concluded that Mr. Sharpe materially violated Precept 3 of the Code, which requires that the actuary performing actuarial services “satisfy the applicable standards of practice.” The ABCD and JDC found that Mr. Sharpe’s work on the Project violated several Actuarial Standards of Practice (“ASOPs”). Mr. Sharpe’s work failed to meet the requirements of ASOP No. 6, *Measuring Retiree Group Benefit Obligations*, in a number of ways, including by failing to (i) document the methods and procedures he used to develop the initial per capita health care rates and any significant actuarial judgments applied during the modeling process; (ii) adjust pre-65 premium rates that contained retiree experience, and (iii) document how he satisfied ASOP No. 6. In addition, Mr. Sharpe used only one age band below 65 and only one age band above age 64. The ABCD and JDC also found that Mr. Sharpe failed to describe the assumptions and methods he used in the measurement with sufficient clarity that another actuary qualified in this practice area could make an objective appraisal of the reasonableness of his work.

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The ABCD and JDC also concluded that Mr. Sharpe failed to comply with several sections of ASOP No. 23, *Data Quality*. In particular, the ABCD and JDC found that he failed to disclose (i) reliance upon a third party for providing premium rates below age 65 and above age 64; (ii) whether he reviewed the premium rates for reasonableness; and (iii) the process used to evaluate the data and any material defects in the data and any adjustments made to the data.

The ABCD and JDC further concluded that Mr. Sharpe violated ASOP No. 41, *Actuarial Communications*, in three ways: (1) by failing to disclose the data, assumptions, and methods used in the Project with sufficient clarity that another actuary qualified in this practice area could make an objective appraisal of the reasonableness of his work; (2) by failing to disclose reliance on premium data obtained from a third party; and (3) by failing to comply with ASOPs No. 6 and No. 23 as described above.

Finally, the ABCD and JDC concluded that Mr. Sharpe materially violated Precept 4 of the Code, which requires that an “Actuarial Communication” issued by an actuary “satisfies the applicable standards of practice.” Precept 4 requires that an Actuarial Communication – defined as “a written, electronic, or oral communication issued by an Actuary with respect to Actuarial Services”—comply with the ASOPs. The ABCD and JDC determined that Mr. Sharpe’s failure to meet the disclosure requirements of ASOP Nos. 6, 23, and 41, as described above, violated Precept 4.

Based upon the foregoing, the Academy publicly reprimands Mr. Sharpe.

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](http://www.actuary.org).

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The American Academy of Actuaries is a 19,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.