EAR

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Academy Presents Two Views on GASB Inquiry

THE ACADEMY'S PENSION PRACTICE COUNCIL commented in August on efforts by the Government Accounting Standards Board (GASB) to consider updating governmental pension accounting standards.

GASB issued the invitation to comment in May, the beginning of a process to "consider whether modifications to the pension standards are required to better meet the financial reporting objectives of accountability and decision usefulness," according to the board. In particular, GASB's inquiry focused on re-examining GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The lengthy invitation to comment addressed a number of issues for public pension plans, including recognizing liabilities and expenses, measuring pension obligations, actuarial methods, cost-sharing plans, and pension plan reporting.

Due to the varied and strongly held opinions on the topic, the Pension Practice Council divided its comments into three parts: an overview of

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Academy Comments on Excess Asset Transfers

IN AN AUG. 3 LETTER TO THE INTERNAL REVENUE SERVICE (IRS), the Academy's Pension Committee commented on the use of surplus assets for matching contributions under 401(k) replacement plans. The letter comes as a response to two private letter rulings in early June (Nos. 200836034 and 200836035), in which the IRS ruled that excess assets transferred from a terminated qualified defined benefit plan to a qualified replacement plan that was a 401(k) plan could not be used for funding employer matching contributions.

The rationale behind these two private letter rulings was that the revised regulations (effective Jan. 1, 2006), namely IRS Reg. 1.401(m)-1(a)(2)(iii), state that

> "Employer contributions are not matching contributions made on account of elective deferrals if they are contributed before the cash or deferred election is made or before the employees' performance of services with respect to which the elective deferrals are made.... In addition, an employer contribution is not a matching contribution if it is contributed before the employee contribution."

In its letter, the Pension Committee notes that such transfers of excess assets would appear to fail to satisfy this provision but then points out that such tranfers were permissible prior to these regulations (e.g., see private letter ruling Nos. 200045031 and 9834036), and there has been no change in law or policy that suggests this new result was intentional.

The Pension Committee has requested that the IRS business plan for 2009-2010 include a regulation project that would amend this provision to permit such a transfer of surplus assets made under Internal Revenue Code Sec. 4980(d) and that it not be treated as violating Regulation 1.401(m)-1(a)(2)(iii).

—JESSICA THOMAS

HAL TEPFER

Withdrawal Liability: Time to Look in the Attic?

HAVING A "WITHDRAWAL LIABILITY" in a multiemployer pension plan is kind of like having a crazy uncle living in your attic. In both cases, there is something going on that you sort of know about but really don't pay attention to—until it comes out and starts to make all your guests uncomfortable.

Since the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA) was enacted, every multiemployer pension plan has had a measure of financial soundness: the "withdrawal liability." A multiemployer plan with assets that are lower than its liabilities has one of these creatures, but unless and until a contributing employer withdraws (hence the name) from the plan, it's an interesting but easy-to-ignore figure.

But when a contributing employer does decide to leave the plan, the withdrawal liability often jumps out and—inexplicably—surprises the employer. (Cue the squeak of the attic steps.)

For multiemployer plans that have been well-managed by the plan's trustees, plan assets have historically been at or near a level higher than the plan's liabilities. As we all know, though, the poor financial results in 2008 have caused many previously "well-funded" plans to no longer have assets that cover the plan's liabilities, resulting in those same plans now having a withdrawal liability.

The formal calculation of a multiemployer plan's withdrawal liability is complicated, and those doing the calculations (yes, actuaries) use off-putting terms like *de minimis* and *presumptive method*. And there are parts of the calculation, while outlined in the MPPAA, that are still debated in the actuarial community. (If you have trouble sleeping, you may want to listen in to one of them.)

In one sense, the calculation couldn't be simpler: Just compute A minus B, where A is the plan's liability and B is the plan's assets. But much like trying to get a good look at what your crazy uncle is wearing, computing the plan's liability is both challenging and difficult. That's because the MPPAA didn't mandate an interest rate to be used in the calculation. As with all financial calculations, use of a low interest rate results in high liabilities, while using a relatively higher interest rate results in relatively lower liabilities. The choice of interest rate rests with the plan's actuary and is a critical part of the calculation.

In any event, 2009 is a year where all multiemployer actuaries should be discussing the actuary's chosen approach with plan trustees to make sure the trustees have a sense of what's going on in their attic.

IRS Instructions

THE IRS RECENTLY ADVISED the Academy's Multiemployer Plans Subcommittee that under the Pension Protection Act, the question on 2008 Schedule MB (Form 5500) Line 4c asking if the plan is making the scheduled progress is not applicable to any multiemployer plan for the 2008 plan year—because the plan could not yet be in the rehabilitation or funding improvement period.

Therefore, the response for endangered and critical plans should be "N/A" for 2008.

Sealing the Door

MPPAA has an exception for plans that are in the building and construction industry. Contributing employers to those plans that withdraw from the plan and cease operations in the area will not have a withdrawal liability assessed,

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even though one may (mathematically) exist.

I've had some plan trustees tell me they intend to "shut down" their company and open up a "brother company" that'll do the same work with the same workers as a way to avoid any such withdrawal liability assessment. My response is always the same: check with legal counsel. I'm not qualified to call my crazy uncle sane just because he changed his shirt, and I'm not qualified to tell a contributing employer that changing corporate structure (or name, address, etc.) lets them avoid a withdrawal liability calculation. Several court cases have dealt with employers who change corporate structure for the sole purpose of avoiding this assessment, so it might be wise to suggest a review of those cases to any employer that tosses those sorts of questions to the plan's actuary.

Bright Light of PPA

It's important to keep in mind that because of the details of a withdrawal liability calculation, even though a plan has an overall "withdrawal liability" (its assets don't cover its liabilities), an individual employer may not have a withdrawal liability upon withdrawing. Conversely, it's possible (although unlikely) that a plan may not have an overall "withdrawal liability" (its assets cover its liabilities) but that an individual employer may have a withdrawal liability.

So, how is a contributing employer to know whether it would or would not have an individual withdrawal liability? By asking.

When the Pension Protection Act (PPA) was passed in 2006, one small but significant effect it had on multiemployer plans was to require all plans to provide to contributing employers a computation if the employer asks for one.

These new disclosure requirements mean that contributing employers should now be able to better monitor the financial health of the plans in which they participate. If a multiemployer plan is poorly funded, a contributing employer should ask whether the plan has adopted a "fresh-start" year (another new PPA rule, the election of which may help reduce the level of the plan's and individual employer's withdrawal liability). If the plan has made this election, the contributing employer should ask for an explanation of the effect it will have on withdrawal liability calculations.

Contributing employers that have withdrawn from multiemployer pension funds after the effective date of the PPA, or that are considering withdrawal, should be asking for actuarial information so they can thoroughly assess the actuarial assumptions and methods used to compute the withdrawal liability.

So, instead of waiting to hear for the attic steps to creak in the dark, employers should flip on the switch for PPA's rules to see how much trouble a plan's withdrawal liability may be—before it comes down unannounced.

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the two main perspectives on accounting and measurement for governmental pension benefits, answers from a market-based perspective, and answers from a modified conventional approach. The letter notes that in addition to the two views presented, the profession encompasses a range of views in between.

In the letter's overview of the two approaches, it explains the philosophy behind each, acknowledging that different perspectives on public plan pension valuation have emerged in the development of the pension actuarial profession. The overview also notes that no single value is likely to convey all the useful information about a pension obligation and that complete information would include the degree of uncertainty embedded in the pension estimates, although a more developed discussion about this topic was beyond the scope of the invitation to comment.

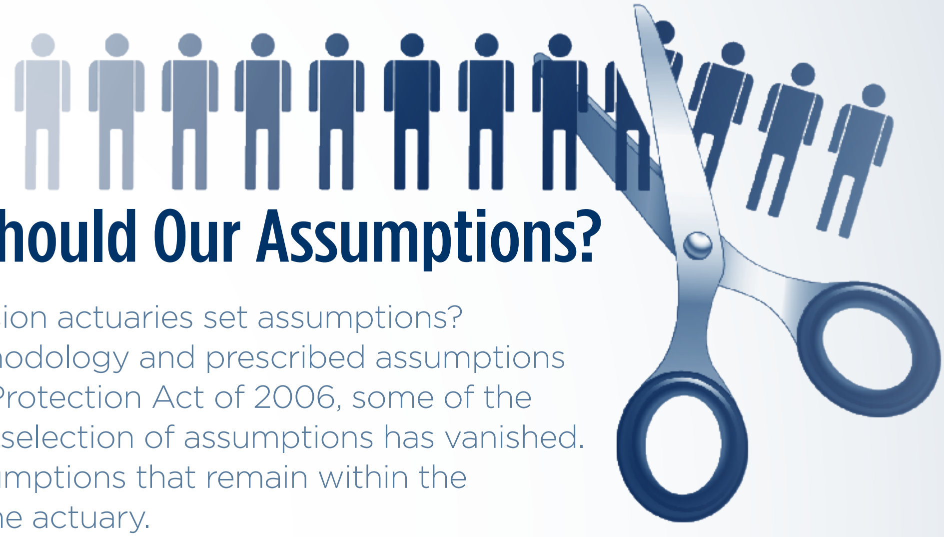
One perspective, as illuminated in the second part of the letter, is a market-based view articulated by members of the Pension Finance Task Force, which is jointly sponsored by the Academy and the Society of Actuaries. This perspective is based on two principles. The first is that market value of assets and liabilities are the most useful values for decision-making considerations in the interest of the accountability of public servants to assess interperiod equity. The second is that benefit obligations accrue in accordance to the unit credit actuarial cost method, which should be the only one permitted for the reporting of costs. According to the task force, pension obligations "are akin to debt and should be recognized consistently with other debt."

The third section of the letter, prepared by members of the Academy's Public Plans Subcommittee, focuses on a modified conventional viewpoint that incorporates actuarial techniques to finance pension benefits for participants with the objective of achieving a smooth, predictable flow of contributions. "This approach works best if the pension plan is a long-term vehicle with little likelihood of being terminated due to financial distress, needs of the plan sponsor, or other issues," the letter says. The subcommittee laid the foundation from which to build the answers to GASB's specific questions. The comments focused on four characteristics of government entities that the subcommittee deemed different enough from private plans to warrant different accounting: the perpetual existence of a government plan, a public-sector funding focus on long-term budgeting, the lack of stock value for financial shareholders, and the independence of public pension plans.

As a follow-up to the invitations for comment, GASB held two public hearings in late August to further discuss issues related to pension accounting and financial reporting.

The Academy's letter is available at http://www.actuary.org/pdf/pension/gasb_aug09.pdf.

JAMES TURPIN



As Times Change, Should Our Assumptions?

Is it time to revisit how pension actuaries set assumptions? With the new funding methodology and prescribed assumptions mandated by the Pension Protection Act of 2006, some of the traditional discretion in the selection of assumptions has vanished. However, there are still assumptions that remain within the professional judgment of the actuary.

We all tend to be creatures of habit. As a result, we don't readily revisit things such as how we select assumptions unless something forces a change. However, with the mandates of PPA and the current economic debacle, should we be rethinking how we set assumptions?

Over the past 30 years, the relationship between most employers and their employees has evolved from a paternalistic approach in which long tenure with the same employer was the norm to one in which employees are much more mobile. This increased mobility is due to a combination of factors, which includes an emphasis on short-term results and the next quarter's bottom line instead of loyalty and long-term commitment. You can read this change from both sides, as this has become the view of both the employer and the employee. Despite this obvious shift in the employer-employee dynamic, actuaries still tend to view employment on a long-term basis, with demographic assumptions reflecting a percentage (albeit a small one) of employees remaining with the same employer for 30 to 40 years.

Similarly, we continue to project compensation and the corresponding benefits that will be paid at retirement based on salary scales that assume some level of future increases in wages over the entire working career for almost all employees.

The recent economic turmoil has led to significant layoffs in major industries and a reduction in current compensation for many employees. Is this a major shift in how our economy will operate in the future, or is it an aberration that will correct itself in the near future? When the equity markets tanked after the dot-com bust, one of my colleagues observed that there was nothing wrong with our historical investment return assumptions and that it wasn't necessary to reduce the interest rates we had been using to fund plans. While it was true that there would probably be a one-year or two-year period in which plans would show actuarial losses on investment return, he observed, once the markets stabilized, the rates of return will rebound. Fortunately, he was right as we had a very good ride—for a while.

Today, the depth of the economic downturn is far greater, the fallout more pervasive, and it appears that it will last far longer. The models we currently use to predict future demographic patterns were developed when economic and employment conditions were substantially different. Is it time for a change in approach?

Clearly, if an employer has announced reductions in employment, the impact of such changes should be reflected in the valuation. The question is: to what extent? What about expectations for employees who are still employed after the reductions? With the current economic uncertainty, we may see fewer employees voluntarily changing jobs in the near term, but does that equate to a long-term change in employment perspective? The challenge for the actuary is to predict how long this aversion to voluntary termination will last.

Further, as businesses downsize employment, the employees still on the payroll may be expected to contribute more, which can result in higher levels of stress. Will this kind of pressure contribute to increased incidence of disability claims and possibly higher mortality? It is certainly possible, and actuarial assumptions may need to be revised to reflect not only a higher level of immediate turnover due to imminent layoffs but possibly a lower level of ongoing turnover after the layoffs coupled with increased disability rates.

We also have to consider that the recent changes in compensation for many employees could adversely affect their future compensation patterns and may necessitate a different model for setting salary scales. The notion that compensation will always increase in the future no longer may be valid. If that is the case, what should your salary scale look like? Once an employer realizes that under the right circumstances compensation can be reduced and not significantly affect its ability to attract and retain employees, should we continue to predict that compensation will always increase in the future?

The standards of practice advise against relying too much on recent changes when setting assumptions. So, we should be cautious in placing too much emphasis on the current economic and employment situation. That said, we also need to thoroughly review whether the changes currently occurring within a plan sponsor's workforce are likely to be perpetuated into the future. If so, how best do we reflect those expectations in our assumptions?

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BRUCE GAFFNEY

Actuarial Reports and Communications After PPA

IN SESSION 607 OF THE 2009 ENROLLED ACTUARIES, Ken Steiner, research actuary at Watson Wyatt Worldwide in Arlington, Va., and John Moore, chief actuary for JPMorgan Compensation and Benefit Strategies in Denver, discussed the impact of the Pension Protection Act of 2006 (PPA) on the reports actuaries have traditionally prepared, as well as some of the new reporting requirements to which actuaries are now subject. After PPA, the term "actuarial report" may have an expanded definition, possibly including adjusted funding target attainment percentage (AFTAP) certifications, funding notices, or even filings with the Pension Benefit Guaranty Corp. (PBGC) pursuant to Sec. 4010 of the Employee Retirement Income Security Act of 1974 (ERISA). The session covered the challenges actuaries face in properly reporting actuarial results. Some of these are new due to enactment of further legislation and release of regulations in recent years, but many have been troubling the profession for a long time.

The speakers raised a number of complex and thought-provoking issues, some of which are also discussed in the practice note that was recently released by the Academy's Pension Committee, *Preparing a Certification of the Adjusted Funding Target Attainment Percentage (AFTAP) for a Pension Plan*. Presumably, many outstanding questions will also be addressed (and hopefully answered) by the expected release of further regulations under Internal Revenue Code Sec. 436.

In the session, the key guidance that applies to actuarial communications was summarized—such as the Code of Professional Conduct (especially Precepts 1, 2, 3, 4, 5, and 8, which apply to actuaries' reports and communications); the revised U.S. Qualification Standards; Actuarial Standards of Practice (ASOPs) Nos. 4, 27, 35, and 44, which apply to pension work; and ASOP Nos. 23, *Data Quality*, and 41, *Actuarial Communications*.

Steiner and Moore reviewed in some depth the comprehensive—and extensive—list of items that are required to be disclosed under the provisions of the various ASOPs. Some of the more interesting or controversial items in the long list include:

- A general disclosure that future measurements may differ significantly from the current measurement (if the actuarial report does not include an analysis of the range of future costs);
- Identification of any prescribed assumption or method selected by a plan sponsor that significantly conflicts with what the actuary believes would be reasonable;
- Indication of the direction of any bias relative to the market value in the asset valuation method.

The speakers highlighted the fact that the disclosure requirements can be satisfied by referring to information in a prior report or another communication. That is, ASOP 41 specifically allows for disclosure through the cumulative communications made with respect to an engagement. This can be a useful strategy, particularly with respect to AFTAP certifications, which may be issued by the actuary separately from the traditional funding valuation report and are often prepared within a tight time frame. Reference to prior communications can also expedite year-end disclosures for financial statements, which also are often time-sensitive.

An interesting question was raised in the session: Can a disclosure requirement be satisfied by referring to a *future* report? ASOP 41 appears to allow—when appropriate—for communication of a result with the full actuarial report (which presumably includes the required disclosure of data, methods, and assumptions) at a later date. ASOP 41 also specifies that the subsequent communication must be made within a reasonable time period following completion of the project. But what is a reasonable period? With regard to AFTAP certifications, some information—such as the use of a yield curve or elections with respect to credit balances—may be crucial to the plan sponsor's understanding of the certification. Pending additional guidance, each actuary must consider the existing guidance and make his or her own decision as to what is appropriate. The speakers suggested that an alternative approach would be to include an abbreviated report, with extensive reference to prior communications and clear indication of differences in the current assumption set. The practice note on AFTAP certifications suggests that it may be appropriate for the actuary to provide certain critical information prior to the time the administrator needs to rely on such certification.

Another related question was asked: What constitutes an actuarial report and when is one required? ASOP 41 defines an actuarial report (as opposed to an actuarial communication) as a summary of the data, methods, and assumptions with sufficient detail and clarity that another actuary can make an objective appraisal of the reasonableness of the conclusions. The ASOP indicates that an actuary should consider the complexity of the assignment and the significance of the actuarial findings, as well as guidance in other ASOPs, when deciding whether a formal and complete report should be issued.

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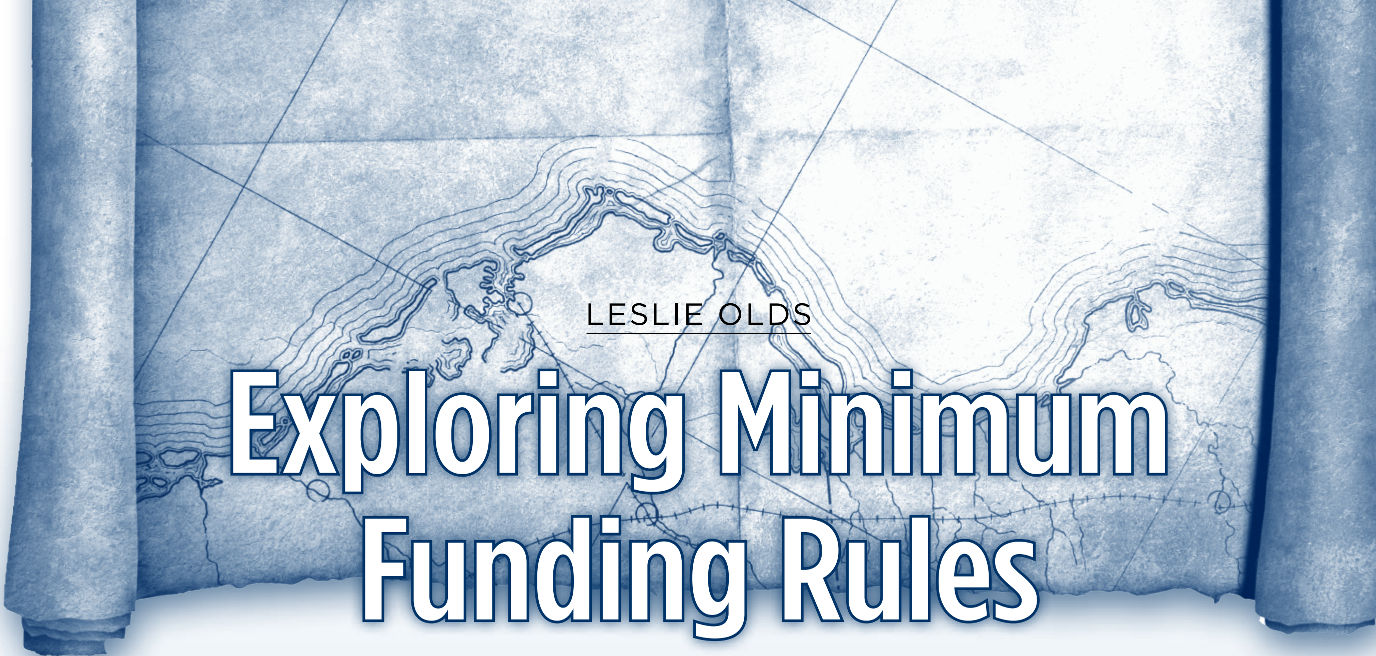

LESLIE OLDS

Exploring Minimum Funding Rules

ADVANCED TOPICS RELATED TO MINIMUM FUNDING RULES still elicit plenty of questions from interested actuaries. At the 2009 Enrolled Actuaries Meeting, Chet Andrzejewski and Jess McGrath led a session that addressed a number of these issues, including contribution timing, credit balances, quarterly contributions, liquidity shortfall calculations, penalties for failing to making contributions, and small plan rules.

Andrzejewski, senior vice president for Aon Consulting in Baltimore, outlined some ground rules relevant to Sec. 430 minimum funding calculations and noted specific topics that would not be addressed during this session (e.g., special rules for commercial airlines and multiemployer plans). He then reviewed the timing requirements for minimum contributions, which are generally the same as under pre-Pension Protection Act (PPA) funding rules. He confirmed that contributions cannot be made prior to the beginning of the plan year. Andrzejewski also reviewed adjustments that must be made to contributions under PPA funding rules, and he provided some examples of how contributions are discounted to the beginning of the plan year using the plan's effective interest rate.

McGrath, principal for Mercer in New York, provided a comparison of the credit balance under pre-PPA funding rules to the two credit balances under post-PPA funding rules: the funding standard carryover balance (COB) and the prefunding balance (PFB). He described how the COB and PFB grow (or shrink) each year based on the return on the fair market value of plan assets. He also noted that the pre-PPA Schedule B methodology for determining the return on assets may not be appropriate for this purpose because it does not reflect the timing of cash flows as required in the proposed regulations.

The session then turned to the impact of the COB and PFB on minimum funding calculations under post-PPA funding rules. McGrath illustrated various purposes for which the COB and PFB are or are not subtracted from the actuarial value of assets. In addition, he described how plan sponsors make a formal election to apply credit balances to satisfy contribution requirements. He also described how a PFB credit balance is established and provided several examples for determining the amount of PFB that is created under various scenarios. McGrath then explained the rules for voluntary and involuntary forfeitures of credit balance and showed examples of some counterintuitive situations to illustrate the complexity of the post-PPA credit balance waiver rules.

McGrath wrapped up the discussion on credit balances by providing numerous real-life examples of "credit balances in action" that illustrated options plan sponsors could consider based on the plan's circumstances. Finally, he addressed a number of questions from session attendees and referenced several questions from the 2009 Gray Book that were relevant to the discussion.

Next, Andrzejewski outlined rules for determining quarterly contribution requirements and highlighted changes from the pre-PPA regulations. He provided several examples of quarterly contribution calculations for various plan situations and referenced applicable questions from the 2009 Gray Book. When discussing due dates for quarterly contributions, he clarified that weekends and holidays do not delay contribution due dates, similar to the pre-PPA funding rules.

Andrzejewski then presented special rules related to quarterly contribution requirements in the event of a short plan year. He provided some examples that were applicable to situations in which either the current, or the prior, plan year was a short plan year. In the event of a short prior plan year, the prior short plan year contribution can't be relied upon for determining the quarterly payment for the current year. In this situation, the actuary must complete the actuarial valuation—or a good estimate of the current plan year minimum funding requirements—in advance of the first quarterly due date. Andrzejewski wrapped up the discussion on quarterly contribution requirements by providing practical examples of how credit balances may be used (elected) to satisfy quarterly contribution requirements. He also outlined required calculations and other actions in the event that

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RACHEL ROBINSON

Rules for PPA Benefit Restrictions

IN SESSION 701 OF THE 2009 ENROLLED ACTUARIES MEETING, speakers jumped right into advanced topics of Internal Revenue Code Sec. 436, such as avoiding restrictions, implementing restrictions, and expiration of restrictions. Additionally, since many attendees are currently working with plan sponsors facing benefit restrictions, the session, which included a representative from the Internal Revenue Service (IRS), focused heavily on direct questions and answers.

One key discussion item included changing the valuation methodology to avoid restrictions. This was even more relevant since an IRS *Employee Plan News* released the day before the session announced that the use of the yield curve with an applicable month would be considered a reasonable interpretation. But will the applicable month be in the final regulations for the yield curve? And will there be automatic approval at Jan. 1, 2010, for changes? James Holland, assistant director for employee plans rulings and agreements for the IRS, alluded to automatic approval to avoid numerous filings but did not indicate what would qualify for automatic approval.

Credit balance forfeiture was another topic that prompted many questions. Credit balance forfeiture is mandatory if the forfeiture will avoid restrictions on accelerated distributions—or will avoid any restrictions if it's a collectively bargained plan. But what does this mean on Jan. 1 or April 1? And how does an election to use the credit balance for a Jan. 15 or April 15 quarterly—or the final Sept. 15—contribution interact with mandatory forfeitures? Holland indicated that chronology should be followed. Forfeitures of credit balance made in a plan year will take precedence over elections that occur later to use a credit balance to satisfy the prior year contribution.

The discussion moved from avoiding restrictions to implementing restrictions, invoking even more questions. When a plan is subject to the 50 percent restriction, is the restriction 50 percent of the actual lump sum—which could be the 417(e) minimum based on the normal retirement benefit—or is it possibly 50 percent of the present value of the subsidized early retirement annuity benefit? How does the level income option work? Is the acceleration the excess of the pre-change amount over the post-change amount, or is it the excess of the pre-change amount over the original straight life annuity? Throughout the discussion, it was clear that the final regulations would need to provide multiple examples to clarify many interpretations.

The session ended with a short discussion on exiting restrictions. Once the adjusted funding target attainment percentage is certified as 60 percent or greater, benefit accruals would start again, unless the plan provides otherwise. Once the percentage is certified as 80 percent or greater, accelerated forms offered for subsequent annuity starting dates would apply when restrictions expire. Makeups generally would not be required. The speakers advised attendees to take care in drafting amendments and to be diligent in evaluating mergers. For instance, restricted amendments could come into play if a less funded plan is merged with a better-funded plan.

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a plan sponsor fails to make a quarterly contribution by the due date. There were a number of questions from session attendees related to this topic that the presenters addressed.

Rules for determining liquidity shortfall contributions were also covered, including what constitutes "liquid assets" (e.g., cash and marketable securities for which there is a liquid financial market) and how the liquidity shortfall calculation is completed. Andrzejewski outlined some examples of liquidity shortfall calculations and how such calculations affect quarterly contribution requirements. The consequences of failing to satisfy liquidity shortfall requirements were also reviewed. The speakers noted that this may be more of a relevant issue for plans now, as compared to previous years, due to poor investment performance during 2008 and early 2009.

McGrath provided a high-level review of special rules that apply to small plans. Small-plan rules apply when there are no more than 100 participants in all of the employer's defined benefit plans. For example, the valuation date does not have to be on the first day of the plan year for small plans.

Andrzejewski and McGrath concluded the session by providing attendees with references as to where they could obtain more information about the funding topics covered in this session: Sec. 430(f)-1 for more details on credit balances; Sec. 1.436-1(a)(5) and Sec. 436(g)(2) for deemed credit balance waiver rules; Sec 1.430(j)-1 for minimum funding requirement timing, quarterly contributions, liquidity shortfall contributions, definitions, and examples; and Sec. 54.4971(c)-1 for taxes upon failure to meet minimum funding requirements.

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New Codification of Accounting Standards

Editor's Note: The following was an Academy Alert sent to Academy members on July 7, 2009.

ON JULY 1, the FASB Accounting Standards Codification was launched as the single source of authoritative nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). This new codification presents accounting rules in a format very different than what actuaries are used to seeing. As such, the way accounting issues are researched and described—and how members discuss those issues with internal and external clients and auditors—will change. For example, Financial Accounting Standard (FAS) No. 87 will no longer be authoritative in its current form and instead its content will be reallocated to one or more sections of the single codification document. All guidance from the Financial Accounting Standards Board (FASB) will be known as Accounting Standards Updates.

While the codification does not change GAAP, it introduces a new structure intended to:

- ➜ Reduce the amount of time and effort required to solve an accounting research issue;
- ➜ Improve usability of the literature, thereby mitigating the risk of noncompliance with standards;
- ➜ Provide real-time updates as new standards are released;
- ➜ Assist FASB with the research and convergence efforts required during the standard-setting process.

The codification includes all accounting standards issued by a standard-setter within levels A through D of the current U.S. GAAP hierarchy. Those standard setters have included, among others, FASB, the American Institute of Certified Public Accountants, and the Emerging Issues Task Force. All other accounting literature not included in the codification will be considered nonauthoritative. The codification does not affect statutory accounting.

The codification itself will be available online in either a free, basic version or a version with more advanced research capabilities at an annual fee. FASB intends to issue an initial paper version but is not committing to doing so in future years. To prepare constituents for the change, FASB has provided a number of tools and training resources that Academy members should be aware of, including:

- ➜ An online tutorial available on the codification website at http://asc.fasb.org;
- ➜ A Notice to Constituents that includes a significant amount of background information available at http://asc.fasb.org;
- ➜ A codification question-and-answer document;
- ➜ FAS No. 168: The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162;
- ➜ Various webcasts, including a March 13, 2008, webcast entitled "The Move to Codification of U.S. GAAP;"
- ➜ "Countdown to Codification Alerts," a series of weekly e-mails featuring tips to help ease the transition to the new research system.

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While the proposed regulations under Sec. 436 of the Internal Revenue Code require only limited disclosure in an AFTAP certification, there was no disagreement that the Code of Professional Conduct and standards of practice would require an actuarial report. However, there was discussion as to the extent of the actuary's disclosure requirements when providing information for use in the funding notice under ERISA Sec. 101(f). The notice is a communication from an employer to plan participants, but the actuary might consider whether the liabilities or other values he or she has provided could be used (inadvertently or by design) to somehow mislead participants. The speakers suggested that reasonable steps an actuary could take to ensure that his or her work is not being misused would include, at least, requesting a copy of the notice from the plan sponsor and reviewing it to ensure that the calculated values were properly reported.

Finally, the speakers pointed out that the issues with respect to the form and timing of reports do not arise only in the context of funding and AFTAP certifications but also often become an issue with financial disclosure calculations, pension expense determinations, and actuarial analysis in connection with mergers and acquisitions. Actuaries can serve the public and protect themselves by carefully considering the various sources of guidance with respect to reporting and disclosure.

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