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ENROLLED ACTUARIES REPORT

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Academy Deplores DOE Pension Policy

Editor's Note: *This is the full text of a letter the Academy sent to the Department of Energy on May 3 objecting to its new policy eliminating reimbursements to contractors for defined benefit pension plans. Signed by Donald Segal, the Academy's vice president for pension issues, the letter was sent to Secretary Samuel Wright Bodman. A resulting May 9 Washington Post "Federal Diary" column on the Energy Department policy highlighted the Academy letter and quoted Segal.*

Donald Segal speaking at the 2006 EA meeting. For coverage of the meeting, turn to Page 4.

ON BEHALF OF THE American Academy of Actuaries' Pension Practice Council, I would like to express our strong objections to the Department of Energy's new policy that would no longer reimburse contractors for costs associated with defined benefit plans for new employees.

Our chief concerns with this policy are these:

➤ **THE POLICY IS ANTI-RETIREMENT SECURITY.** Defined benefit (DB) plans, the centerpiece of this country's private retirement system, are vital to assuring retirement security for millions of our nation's workers. The Department's policy goes against decades of a balanced public-private national retirement security policy.

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Modeling the Future of Retirement

THE MARCH 26-27 third annual pension symposium, dovetailing with the end of the 2006 Enrolled Actuaries meeting, attracted some 80 actuaries interested in sharing their thoughts about the future of retirement in this country. With the passage of funding reform legislation seemingly imminent, attendees were ready to look beyond reform of the defined benefit (DB) pension system to an overall re-examination of the risks associated with retirement security.

"This year we chose to focus the symposium on key issues that face us as retirement plan professionals—those issues associated with a broader examination of retirement security," said Thomas Terry, president-elect of the Conference of Consulting Actuaries and chairperson of the Academy's Stock Options Task Force, in opening remarks.

The symposium's panelists addressed a variety of issues, including:

- The future of pension investments, specifically mitigation of risk as discussed in detail during the closing session of the EA meeting
- The pooling of longevity risk through annuitization and ways to accomplish this in more account-based plans
- The uncertainty pension plans confront in the context of enterprise risk management
- The transition of pension actuaries into new arenas, such as stock option valuation.

The general focus of the symposium, however, quickly became

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Keeping Employers Responsible

Editor's Note: *The following is the full text of an Academy statement sent May 5 to federal policymakers, Capitol Hill staff, and employee benefits organizations.*

ONE OF THE underlying principles behind pension funding legislation is to ensure employers remain responsible for their own pension promises. Thus, the pension reform legislation currently in a congressional conference committee requires sponsors to quickly fund their plans up to at least 100 percent of accrued liabilities and restrict benefits if the plans are not well funded. If the funding rules had been tighter and bankrupt employers had kept their pension promises, then the remaining healthy employers would not have been called on to pay increasing amounts to the Pension Benefit Guaranty Corp. (PBGC). The American Academy of Actuaries' Pension Committee therefore offers the following discussion of possible means by which responsible employers who sponsor defined benefit plans, their employees, and the PBGC may avoid further harm.

Because current funding rules did not ensure adequate funding, the PBGC has amassed a $23 billion deficit, which could increase substantially if additional airline or auto companies fail. The Deficit Reduction Omnibus Reconciliation Act, passed in February, increases PBGC premiums dramatically in 2006, but analysis suggests that the additional premiums will not be enough to eliminate PBGC's deficit. So how can the remainder of PBGC's deficit be eliminated? This question requires an examination of who should assume responsibility for that deficit.

- Should it be the remaining pension sponsors who followed the funding rules and have not transferred their plans to the PBGC? If so, that could further harm the defined benefit system as healthy sponsors leave it, even though these plans are important to America's retirement security.[1]
- Should it be the customers of the airline and steel industries (i.e., the industries that created most of PBGC's liabilities[2])? They received their flights and steel products at a price that was not enough to cover the costs of the pension plans.[3]
- Should it be paid for through an increase in taxes? If so, taxes would have to increase by about 0.1 percent to pay off PBGC's deficit in 10 years.

While the Academy does not take a specific position on the appropriate solution, we do recognize that there are significant costs associated with any of the above methods.

In addition to the funding rules, there are other ways to forestall the shifting of additional liabilities to the PBGC (and thus the premium payers). Section 402 of the Senate-passed funding bill (S. 1783) gives the PBGC authority, with the approval of the secretary of the Treasury, to work out alternative funding arrangements with sponsors in order to keep them responsible for their pension plans. The PBGC can freeze benefits, freeze guarantees, require security, and impose other conditions necessary to protect the PBGC. This is similar to creditors working out refinancing arrangements with employers who cannot meet their original loan covenants. Section 403 in S. 1783 does this automatically for airlines willing to freeze their benefits and have their PBGC guarantees frozen. With these freezes, the PBGC's liabilities are essentially capped, so any additional contributions that the plan receives will most likely improve its financial position.[4]

Section 403(h) extends the alternative funding rules to airlines that don't freeze accruals as long as they are willing to make their contributions toward normal cost based on the more conservative at-risk rules. In order to cap PBGC's liabilities, the provision would still need to freeze PBGC's guarantees and prohibit lump sums, as discussed above.[5]

for Pension Promises

Alternative Using Loan Guarantees

An alternative approach to reducing the contributions for certain plan sponsors would be to require all companies to pay the regular minimum contribution and offer qualifying companies a federal guarantee for a loan needed to pay it. As an outcome of this alternative, participant guarantees would not be frozen and other DB plan sponsors would not be punished for arrangements worked out between the government and the qualifying companies. The federal government's liabilities might increase but not those of the PBGC or the premium payers.

At many weak companies, pensions are not the only financial problem. Other compensation costs (such as wages, employee and retiree medical plans, overstaffing, etc.) can also constitute reasons why they are not competitive in world markets. Because a company's future pension funding requirements are just one element of its financial problems, assisting with that funding could be viewed as just one component of any federal financial relief. Thus, the magnitude of any federal financial relief to a company in a financially distressed industry could be determined through a more comprehensive appraisal of its overall financial needs rather than solely based on its pension funding obligations.

Improving PBGC's Priority Claim in Bankruptcy

The current deficit situation experienced by the PBGC has been exacerbated because current bankruptcy law can encourage sponsors with underfunded pension plans and a poor short-term financial outlook to resort to reorganization as a means of shedding large legacy pension, post-retirement medical, and other liabilities. The fact that sponsors have the PBGC standing behind most of their pension promises creates a moral hazard. Section 402 of S.1783 helps reduce this moral hazard by allowing the PBGC to keep employers in reorganization responsible for their plans by freezing plan benefits and PBGC guarantees, and working out a temporary financial arrangement with the sponsor.

In addition, because accrued pension benefits and wages are both owed to employees, Congress should consider modifying bankruptcy law to give unfunded pension liabilities a priority, at least to the level given to unpaid wages, and clarify PBGC's priority unsecured claim for the cost of current accruals. This would give the PBGC more leverage to negotiate indentures with the bankrupt plan sponsor that could permit it to emerge from bankruptcy without leaving the PBGC—and the DB plan system—with all of the plan's unfunded liabilities. With this change in bankruptcy law, banks would most likely move to add prohibitions to loan covenants that would forbid increasing benefits if the plan is not properly funded. This would engage the banking industry in helping to monitor pension financial practices, where banks that lend money to companies that increase their pension benefits lose position in bankruptcy.

Any improvement in the status of unfunded pension liabilities might discourage companies from abusing the bankruptcy process, perhaps prevent pension promises from being made beyond what the sponsor is able to afford, and provide an incentive to plan sponsors to more vigorously improve or maintain funding levels.

Conclusion

In summary, we appreciate that Congress is addressing legislation that would strengthen pension funding requirements. We believe, however, that some financial remedies, which use mechanisms outside the defined benefit system, may be needed to avoid harming the pension system. ▲

End Notes

1. If premiums are increased enough to eliminate PBGC's deficit in five to 10 years, then:
   (1) the variable premium rate of 0.9 percent would have to be increased to a level that would push many healthy employers to fund their plans enough to avoid the variable premium, and
   (2) the per-participant premium would have to be increased to levels that could push healthy employers to terminate their plans to avoid the premiums.

2. Per Figure 3 of PBGC's 2004 *Fact Book* http://www.pbgc.gov/docs/2004databook.pdf

3. A 2005 paper titled "Saving Private Pension Insurance: An Evaluation of Current Proposals to Shore up the PBGC" by Coronado and Schieber of Watson Wyatt determined that a dollar per flight arriving or departing from the United States plus a small levy per ton of steel bought in the United States would pay off this deficit in about 10 years.

4. Pension payments made from the plan in excess of PBGC's guarantees (and benefits in PBGC's third priority category, PC3) in the interim would reduce the PBGC gain but are likely to be less than the additional contributions made by the sponsor to the plan. One way to reduce that problem greatly would be to restrict lump sum payments, as both pension bills being considered by the congressional conference committee already do. Note: Most or all of Delta and Northwest Airlines' pension liabilities are already on PBGC's books as probable claims, so additional contributions to those plans could reduce PBGC's deficit (if the accruals, guarantees, and PC3 are frozen).

5. This can be seen by analyzing what would happen if the plan had a *de minimis* accrual. Under this hypothetical, the contribution would hardly be affected compared to plans that freeze accruals but they would not have their PBGC guarantees frozen. Another alternative might be to allow the PBGC guarantees to increase by the amount of the accruals, but not for any other reason (such as phase-in, later plan year maximums, greater ages).

2006 Enrolled Actu

Kent Mason

Donald Segal

BRUCE GAFFNEY

The 2006 Gray Book

PRIOR TO THE Enrolled Actuaries meeting each year, actuaries pose questions to representatives of the Treasury Department and the Internal Revenue Service (IRS) on a variety of thorny issues. The Gray Book is the annual compilation of these questions along with answers provided by IRS and Treasury employees. While Gray Book responses reflect only the personal views of government employees and cannot be relied on as formal guidance, they still can shed light on a difficult question or a confusing area of practice.

The distribution of the Gray Book at the EA meeting is accompanied each year by a session where the more interesting (or surprising) questions and responses are discussed. In this year's session, led by Donald Segal and Ken Steiner, many of the 41 questions in the 2006 Gray Book were touched on, some briefly and others in more depth.

The session kicked off with a rousing discussion of early retirement benefits and forms of payment subject to Internal Revenue Code (IRC) Section 417(e). The question posed to the IRS and Treasury centered on whether a hypothetical plan's methodology for calculating lump sums satisfies the requirements regarding minimum lump sums under ERISA and the IRC. The hypothetical plan provides a lump sum that is the greater of (1) the present value of the benefit deferred to normal retirement (determined using the applicable interest rate and applicable mortality table under Section 417(e)) and (2) the present value of the immediate annuity (determined using the plan's actuarial assumptions). The Gray Book response states that "the applicable interest rate and mortality table must be used to determine the minimum value of any benefit that is valued," implying that the plan should provide for a third calculation—the present value of the immediate annuity determined using the assumptions specified in Section 417(e).

Segal and Steiner pointed out that any plan that determines lump sums (or any other form of payment subject to Section 417(e), for that matter) using plan factors in addition to the statutory assumptions needs to be reviewed to ensure that it hasn't fallen into this trap.

The speakers also highlighted the response to a question on reporting Schedule B contributions. The Gray Book response indicates that the Schedule B contribution date is the date when the plan sponsor makes the contribution, not the date when the plan's trustees receive it. Thus, a contribution is made when the check is mailed to the plan trustee.

Other topics discussed included questions on Schedule B disclosure, unusual situations arising for multiple-employer plans, elimination of optional payment forms, the treatment of uncashed benefit distribution checks, and special rules in connection with the merger of plans.

From left, Ethan Kra, Ron Gebhardtsbauer, and David Godofsky confer before the first general session.

BRUCE GAFFNEY *is a principal and consulting actuary in the Benefits Consulting Group at Ropes & Gray in Boston.*

aries Meeting

More from the meeting on Pages 6 & 7

JAMES TURPIN

Ethics Debate

AT THE 2006 EA MEETING SESSION ON ETHICS, three distinguished members of the actuarial profession (Robert Rietz, Ken Steiner, and Paul Zeisler) and one miscreant (me) engaged in a debate over three questions that were designed to test the ethical attributes of the panel.

The first question was rather easy: A client wants the actuary to change his assumptions to significantly lower the contribution. For the actuary, part of the dilemma is that this client provides most of the actuary's livelihood. So the actuary feels some personal economic pressure in addition to professional considerations. The client has made this decision much easier for the actuary not only by asking for the change but also by putting his request in writing (even summarizing what the revised assumptions should be).

The panelists were given five options to consider, but ultimately the choice was whether or not to change assumptions. The panel spent some time on the advisability of changing assumptions (even if the resulting assumptions remained within the actuary's best estimate range—although one panelist observed the difficulty of having a best-estimate range for a demographic assumption that is a table rather a point), given that the client's request was made in writing. If the actuary were to decide that changing the assumptions was appropriate, additional consideration would have to be given to the client's written record, which makes it appear the actuary was simply revising the assumptions at the client's behest.

The second question was one that many actuaries may be facing as clients seek more long-term certainty in the projected cost of defined benefit (DB) plans. In this case, the actuary has determined the long-term cost of a plan and is prepared to advise the client of his results. However, a young hot-shot actuarial student has made some alternative calculations and concluded that the assumptions selected will result in a 30 percent probability of ruin and that the plan will run out of money at a time when the client may be unable to contribute additional resources. As a result, the student tells the actuary that the assumptions should be revised to reduce the probability of ruin to 1 percent or less. Unfortunately, the actuary doesn't understand the student's work and prefers to ignore this added information.

The idea of ruin doesn't appear within the funding rules for DB plans, so the issue is primarily a theoretical one (although for the participants it may be a real problem). With that said, what does the actuary do? Since the assumptions represent the actuary's best estimate of future expectations, the actuary could provide the cost study to the client without disclosing the student's ruin analysis and probably remain within the standards of the profession. On the other hand, if the actuary knows (or accepts the student's analysis) that the results of the study have a 30 percent ruin possibility, should the actuary disclose that information to the client?

As long as the actuary believes the study represents his best estimate and adequately discloses any limitations on the study results, the actuary has complied with the requirements of the profession. However, if the actuary considers the probability of ruin important and believes it might have an impact on the client's decision, then the actuary either must present alternative results or at least qualify his conclusions with information about the probability of ruin.

In the third ethical dilemma, the panel considered the appropriate assumptions to use in transferring plan assets and liabilities following the sale of a division from one company to another. The transfer has already taken place, and the question was whether additional assets should be transferred based on an alternative set of assumptions proffered by the actuary for the receiving plan. It was clear that just because the actuary for the receiving plan says additional money should be transferred doesn't require you to advise your client to do so. Second, while you could do more work on this project, as far as you can tell, the transfer met all of the requirements for Section 414(l). One panelist suggested that if the transferred division was small enough, it might be *de minimis*, making the discussion moot. All agreed that this was a situation in which the actuary needed to measure his own comfort level with the net results, evaluate the results in light of the relative size of the plans involved, and then advise his client accordingly.

JAMES TURPIN, *a former Academy vice president for pension issues, is a consulting actuary for the Turpin Consulting Group in Albuquerque, N.M.*

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Pension Mortality Tables

WHILE RECENT GAINS in average life spans are gratifying (particularly if you are male), attendees at a 2006 EA meeting session on trends in longevity were concerned with a more pressing issue: Have mortality tables kept up?

The most popular mortality table, GAM-83 (group annuitant experience projected to 1983), is beginning to show its age, said panelist Emily Kessler, retirement systems staff fellow for the Society of Actuaries. A study of 1986-to-1990 annuitant experience showed steady declines in the ratio of actual to expected mortality, particularly for males. This shouldn't be surprising, Kessler said, considering that GAM-83 reflects mortality experience from the 1960s projected to 1983 using mortality improvement trends from the 1960s and 1970s.

While there are new tables that are available for use (notably UP-94, GAM-94, and RP-2000), none of them assume any margin for improvement, Kessler said. This is because of technological innovations that have made it easier for actuaries to plug in their own explicit assumptions about future improvements.

"You now need to add a step to the mortality assumptions," Kessler said. "To project or not project."

But is there a ceiling on how much mortality can improve? Panelist Michael Pisula thought there may be. "I'm a doomsayer," Pisula, an actuary with the Phoenix Benefits Group in Pittsburgh. "In the U.S., as we cut back on retiree medical benefits, DB (defined benefit) plans, will the mortality improvement curve for the U.S. start to peter out?"

Actuaries seeking further guidance as they make their projections should look to their own Actuarial Standards of Practice (ASOPs)—particularly ASOP No. 4, *Measuring Pension Obligations*, ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, and ASOP No. 41, *Actuarial Communications*, said panelist Jerrold Dubner, a director with PricewaterhouseCoopers in Atlanta. "The FASB (Financial Accounting Standards Board) and the SEC (Securities and Exchange Commission) don't have a lot to say," Dubner said. "Really it's our profession that is telling us what we should and shouldn't do."

DOE PENSION POLICY, FROM PAGE 1

THE POLICY IS ANTI-VOLUNTARY RETIREMENT SYSTEM. This policy essentially denies a government contractor the ability to choose the type of retirement plan it provides to prospective employees. Employer choice is fundamental to our voluntary private retirement system. This policy effectively forces the Department's contractors to select 401(k)-type arrangements/profit-sharing plans as their only retirement plan, despite the fact that many employers strongly prefer DB plans, or a combination of plans, for both current and prospective employees. A policy that deprives the private sector of its right to provide these plans can only do damage to our voluntary private retirement system.

THE POLICY DOES NOT RESPONSIBLY ADDRESS CONCERNS ABOUT COST LEVELS. We accept the Department's position that it does not want to reimburse costs of excessively generous benefits. However, both DB and defined contribution (DC) plans can be designed to create costs at any level. DB plans are not inherently more expensive than DC plans. In fact, to provide comparable levels of retirement benefits, DB plans are typically much cheaper than DC plans for the new hires that the new policy would exclude. As such, precluding DB plans cannot be justified on a cost basis.

THE POLICY DOES NOT RESPONSIBLY ADDRESS CONCERNS ABOUT COST VOLATILITY. We also appreciate the Department's concerns about the volatility of contractors' defined benefit pension costs. There are, however, several responsible ways of mitigating such volatility that the Department has overlooked. For example, employer cost volatility can be reduced or eliminated through use of new plan designs or different investment approaches.

The council believes the Department's decision is seriously detrimental to the interests of American workers who have come to depend on the DB pension system in particular and the nation's public-private retirement partnership in general. We respectfully request that this action be immediately rescinded.

aries Meeting

Straight Talk From the PBGC

THE PENSION BENEFIT GUARANTY CORP. (PBGC) fielded a panel at the 2006 EA meeting to discuss its current financial status, funding reform legislation, the pension insurance modeling system, and highlights from the 2006 Blue Book.

As a session introduction, the panel offered the following statistics:

- PBGC's net position for the single-employer program in 2005 was a $22.8 billion deficit.
- Total underfunding for insured single-employer plans in 2005 is approximately $450 billion.
- Exposure from plans representing "reasonably possible" claims is approximately $108 billion in 2005. Between 2002 and 2003, there was a jump from $35 billion to $85 billion.
- The new premium rates for 2006 are $30 per participant for single-employer plans and $8 per participant for multiemployer plans (panelists said that filers who paid the old rate for this year will be subject to interest and penalties if they don't correct by the normal due date).

When discussing the makeup of historical claims, panelists said that airlines might become an even larger portion of PBGC claims than steel companies, especially since two airlines are already in bankruptcy. They also indicated that the PBGC was closely watching the auto industry, specifically the suppliers, because there is significant risk that at some point down the road they may fall on the PBGC, as well.

More generally, one speaker said, the PBGC is most concerned about sponsors with below-investment-grade companies that offer pension plans "because historical statistics have indicated that over 90 percent of companies were below investment grade for 10 years prior to their termination."

"If the PBGC is taking a hit, then employees are taking a hit, too," a panelist said. "If there is a claim against the PBGC, then there is a claim against the employees' promised benefits."

Panelists said there are three keys to fixing the broken pension insurance system to ensure that workers' retirement isn't threatened:

- Reform funding rules to encourage employers to fully fund their plans.
- Reform insurance premiums to better reflect costs and risks.
- Improve disclosure to better inform workers, investors, and regulators.

Panelists at the session included Vincent Snowbarger, deputy executive director for the PBGC; David Gustafson, acting director of the policy, research, and analysis department; and James Beller, an attorney in the legislative and regulatory department.

—HEATHER JERBI

EXECUTIVE SUMMARY: Tom Schryer's Notes From the 2006 EA Meeting

SESSION ON PBGC E-FILINGS More than ever, the check's memo section needs to include the employer identification number, the plan number, and the day the plan year starts (for example, 98-9876543/001 for 1/1/06) since the check will not be coming in with the paperwork. The 2006 Blue Book indicates that Form 4010 requires us to use the old mortality basis for Dec. 31, 2005, liabilities for big calendar-year plans. However, use current liabilities for the 4010 gateway test.

SUSPENSION OF BENEFITS NOTICES We got a reminder that suspension of benefits notices must be sent to any retiree rehired prior to attaining his or her normal retirement age. Our data screens should look for rehired retirees to backstop our clients on this, and we should give do-it-yourself clients a reminder now.

ELIMINATION OF OPTIONAL FORMS Question 28 in the 2006 Gray Book sheds light on when we can eliminate certain options or update the factors. A lot of plans are using outdated factors because of Section 411(d)(6) issues, and this helps a bit.

MULTIEMPLOYER PLANS Plan sponsors and unions involved with multiemployer plans need to be aware of Forms LM-10 and LM-30. These rules go way back, but relatively few people filed reports. A lot of filings were due on March 31, but the Labor Department extended the deadline to May 15 because of widespread unawareness. Several good articles are available on the web: Search for LM-10 or LM-30. Basically, the Labor Department is looking for anything that might have the appearance of a bribe. There is detailed guidance on things such as when buying a union representative a cup of coffee might be OK. The rules seem pretty stringent.

PAULETTE TINO It was announced that Paulette Tino, the senior actuary at the IRS, would be retiring in July at the age of 82. There was a lot of affection shown to her in the sessions and in the hallways, and she responded in her usual cheerful and lively way. Over the years, whenever I asked her how she was, she would respond, "Perfect!" with some gusto and usually a chuckle. She will be missed.

TOM SCHRYER is a consulting actuary with Findley Davies Inc. in Cleveland.

Turning the Tables: IRS Focus Group

ATTENDEES at the 2006 EA meeting's Internal Revenue Service (IRS) focus group session were offered a refreshing option: "This is your opportunity to tell us what we're doing wrong or ways we might be able to help you out," said one of several IRS representatives in opening remarks.

Carol Gold, director of employee plans, and Joseph Grant, rulings and agreements director, spoke at the session, and James Holland, technical manager, and Martin Pippins, technical guidance and quality assurance manager, provided additional input.

This is your **opportunity** to tell us what we're doing **wrong** or ways we might be able to **help** you out.

In addition to discussing various items on the IRS's guidance plan for 2006-07, other issues on which regulations or guidance may be expected in the next few months, and 2006 Gray Book questions and answers, the panelists entertained a variety of questions from the audience on topics such as:

- Amortization extensions for multi-employer plans under Internal Revenue Service Code Section 412(e)—The process for reviewing requests has been approved, and requests are moving through and are a "priority."
- Update to guidance under 81-213—An attendee noted that the Academy had been asking for updated guidance for years, and if the issue had been addressed earlier, it might have changed the debate on funding reform. IRS representatives said that they were open to any ideas on how to address this issue administratively.
- VEBA Section 419(a) guidance—The guidance is too vague and subject to many interpretations. IRS representatives said that individuals should let them know if issues covered in a private letter ruling should also be addressed in guidance.

- IRS role in developing policy—While the Treasury Department is responsible for policy, the IRS is interested in hearing from the actuarial profession on issues that will arise if pension funding reform legislation passes.

In reference to the last topic, Donald Segal, the Academy's vice president for pension issues, spoke about Academy plans to facilitate a group of pension experts who would examine legislation and offer input to the IRS on priority topics, as well as specific regulatory language as appropriate. The group would operate along the model established by the IRS's determination letter liaison group.

—HEATHER JERBI

RETIREMENT, FROM PAGE 1

an examination of the uncertain future of DB plans and of ways to address the risks inherent in planning for retirement should they disappear. Symposium participant Robert North summed up the core discussion in one question, "What happens after DB plans?"

"Defined benefit plans packaged risk in its totality, and the public tends to forget that. DB plans provided for longevity risk, inflation risk, investment risk, spousal death, and many others. Unfortunately, people do not necessarily see all of the risks inherent in DC [defined contribution] plans," said Emily Kessler, retirement systems staff fellow for the Society of Actuaries.

While the actuarial profession must address the challenge of developing new products that meet the needs of employees as they reach retirement, the profession also needs to become more actively involved in managing the risks associated with retirement planning.

"Change brings opportunity and risk," said North. "Pension funding reform provides actuaries the opportunity to take advantage of this change and use it as a catalyst to position actuaries as an integral part of all human resources."

"The profession should expand its horizon to the macro level," said Donald Segal, the Academy's vice president for pension issues. "The profession should be looked to by the general public as the go-to profession for the new retirement paradigm." This new paradigm, many symposium participants agreed, recognizes that retirement is no longer a one-time cliff event but rather a gradual process.

Acknowledging that the development of new solutions for retirement security would require ongoing discussion, Terry encouraged all attendees to brainstorm with colleagues and be prepared to reconvene at next year's symposium to further the debate.

—HEATHER JERBI