



AMERICAN ACADEMY *of* ACTUARIES

Pension Practice Council Cycle Report
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PENSION PRACTICE COUNCIL HIGHLIGHTS

The Pension Practice Council (PPC) met on November 5 in Boston to discuss transition plans for 2011-2012, goals for 2012-13, and recent developments in retirement policy. Council members received updates from each of its committees, subcommittees, and task forces, as well as from new Senior Pension Fellow Donald Fuerst. All committee, subcommittee and task force chairs were asked at the meeting to assess the effectiveness of their group's activities in terms of their mission statements and the Academy's mission to serve the public and the actuarial profession. The council also received an update from the joint PPC/Life Practice Council Lifetime Income Risk Joint Task Force and is currently reviewing a white paper focusing on the challenges of creating guaranteed lifetime income.

The PPC continues to focus on a variety of political initiatives related to private defined benefit (DB) plans and retirement policy, including Department of Labor (DOL) and Department of the Treasury activities related to lifetime income, proposals affecting Pension Benefit Guaranty Corporation (PBGC) premium rates, and the potential reduction in tax expenditures for retirement plans in the context of broader national deficit discussions. The council presented a Capitol Hill [briefing](#) on October 11 for policymakers and congressional staff illustrating new research into the "rising tide" of funding contributions facing the DB pension system. The panel, featuring Ethan Kra, Chairperson of the PPC; Don Fuerst, Academy Senior Pension Fellow; Joe Silvestri, Research Actuary from the Society of Actuaries; and Tom Terry, Chairperson of the SOA's Rapid Research Modeling Oversight Group, discussed the implications of this projected increase in funding requirements for plan sponsors, beneficiaries, government agencies and policymakers. The council also continues to focus on improving communication with members of the Academy practicing in the pension arena. A new quarterly email publication, [Retirement Account](#), was launched in August and the [second edition](#) was published on November 14.

On October 14, the PPC submitted a [comment letter](#) to the Governmental Accounting Standards Board (GASB) in response to two exposure drafts on pension accounting and financial reporting for employers. The council's response included separate comments from its Public Plans Subcommittee and the Joint Academy/Society of Actuaries Pension Finance Task Force.

The Pension Committee met on November 6 in Boston and held focused discussions on the political climate and retirement policy. The committee is revisiting a 2005 policy paper on pension funding reform for single employer pension plans. The committee completed an update to the practice note, [Selecting and Documenting Mortality Assumptions for Pensions](#) in response to updates to ASOP No. 35 by the Actuarial Standards Board. On October 14 the committee wrote a [letter](#) to the Internal Revenue Service (IRS) and DOL and requesting clarification on the instructions for Form 5500, Schedule H for the reporting of premium payments made to the PBGC from qualified DB plan assets. On November 2, the committee received a [response](#) from the PBGC with clarifying instructions. The committee submitted a [comment letter](#) to the Actuarial Standards Board (ASB) on October 11 responding to a

discussion draft of possible revisions to ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*.

The Multiemployer Subcommittee of the Pension Committee had a second meeting (the first meeting was held on July 15) with approximately two dozen officials from the IRS, DOL and Department of the Treasury on August 25 to comment on a PPA-mandated report the agencies are writing regarding the effects of PPA on the operation and funding status of multiemployer plans. That inter-agency report is due by the end of 2011. The subcommittee followed up that meeting with a [comment letter](#) to the agencies on October 26 with a list of proposed operational modifications to the multiemployer provisions of PPA.

The Public Plans Subcommittee has completed an in-depth analysis of H.R. 567, the Public Employee Transparency Act, and developed talking points on the bill which are being incorporated into a more general issue brief on pension measures. Bill Hallmark, chairperson of the subcommittee, testified before GASB on October 13 and provided a summary of the public plans section of the PPC [comment letter](#). The subcommittee is drafting a new practice note on the topic of communicating risk in public sector pension plans and expects to publish the note in 2012.

The Pension Accounting Committee met in person in New York on August 15 and via conference call on November 9. With permission from the committee, the SOA will use material from the committee's July 20 webinar on changes to IAS 19 (the International Financial Reporting Standard (IFRS) for pensions and other employee benefits) as material for the spring 2012 SOA exam syllabus.

The Joint Academy/SOA Pension Finance Task Force has completed work on an online quiz for actuaries on financial economics concepts that will be available on the Academy and Society of Actuaries websites in early 2012. The group plans to comment on the impending exposure draft of changes to ASOP No. 4, expected to be released by the ASB in early 2012.

On September 22 the Social Security Committee sent a [letter](#) to President Obama and congressional leaders urging them to address the long-term fiscal sustainability of Social Security. The committee continues to evaluate the various Social Security reform proposals receiving attention on Capitol Hill in the context of broader deficit discussions. The committee last met on October 31. A new issue brief addressing the Social Security Trust Fund is nearing completion.

OPERATIONAL PLAN HIGHLIGHTS

Initiative 2.1.1—Better Focus Practice Councils in Public Policy

The Pension Practice Council continues to address the future of retirement policy and ways to better engage in the public policy debate. The PPC has presented three Capitol Hill briefings this year, on April 4, May 26 and October 11. The briefings have been well attended by high-level congressional staff and the council has received positive feedback from Academy members. The council continues to work via its Forward-Thinking Task Force and new senior pension fellow to engage policymakers and provide the actuarial perspective to policy options aimed at strengthening the future of the U.S. retirement system. The council monitors the political climate surrounding reforms to entitlement programs, changes to the tax code, additional funding relief and technical corrections to PPA.

Initiative 2.2.2—Identify key bodies with which the Academy should establish meaningful relationships and establish priorities

The PPC and its committees have had meaningful discussions about strengthening key relationships with interest groups, and developing a clear message to convey to these stakeholders. Academy staff and PPC members have had recent meetings with House and Senate staff on key Congressional committees with jurisdiction over pension, retirement, and social security issues. Academy staff is

attending Congressional hearings on a regular basis and has met with a variety of other stakeholders, such as the ERISA Industry Committee (ERIC), the American Benefits Council, AARP, and the Congressional Research Service. The PPC continues to provide staff with direction and resources for building these key relationships, which are supplemented by the outreach efforts of the Forward-Thinking Task Force.

SENIOR PENSION FELLOW HIGHLIGHTS

Donald Fuerst joined the Academy staff as Senior Pension Fellow on September 6. He is quickly becoming involved in Academy projects and Washington policy discussions. Some highlights of his first three months include:

- Attended a Brookings Institute briefing on William Gale’s paper discussing refundable tax credits for DC plans, Senate Finance Committee hearing on Promoting Retirement Security, NASI briefing regarding Super Committee addressing Social Security issues, Retirement Savings briefing by New America Foundation, U.S. Economy discussion sponsored by The Atlantic, and a discussion on the U.S. economy sponsored by the U.S. Chamber of Commerce.
- Interviewed for an article in the Congressional Quarterly (CQ) and on NPR’s Morning Edition regarding Ellen Shultz’s new book “Retirement Heist”
- Met with George Bostick, Benefits Tax Counsel at Treasury, Dave Gustafson of PBGC, Mark Ugoretz of the ERISA Industry Committee, David John of Heritage Foundation, Kent Mason of American Benefits Council, David Wray of the Profit Sharing Council, Rick Lawson of the Principal Group, David Blitzstein of the UFCW, Michele Burns of the Retirement Policy Center, Dallas Salisbury of EBRI; Michael Kreps, Pension Council for the Senate Health, Education, Labor and Pensions Committee; and Josh Gotbaum, Director of PBGC.

His recent speaking engagements include:

- Capital Hill Briefing on Rising Tide of Pension Contributions
- Retirement 20/20 session at the CCA annual meeting
- Future of Retirement Symposium sponsored by CCA
- The Hidden Causes of Retirement Crisis - a discussion of Ellen Schultz’s book sponsored by New America Foundation
- Actuarial Club of Philadelphia

Don also wrote brief articles for the Enrolled Actuaries Report and the Actuarial Update.

PUBLICATIONS

Future Publication/Activity	Committee/Work Group	Audience	Publication Date
Issue Brief on Communicating Risk in Public Plans	Public Plans Subcommittee	General Public and Policymakers	Spring 2012
Comment Letter on ASOP No. 4 Exposure Draft	Pension Committee and Pension Finance Task Force	Actuarial Standards Board and General Public	Spring 2012
White Paper on Lifetime Income Risk	Joint LPC/PPC Lifetime Income Risk Task Force	General Public and Policymakers	Spring 2012
Issue Brief on Normal Retirement Age	Pension Committee	General Public and Policymakers	January 2012

Social Security Reform Options Monograph	Social Security Committee	General Public and Policymakers	January 2012
Comment Letter on Automatic Election of Credit Balances	Pension Committee	Internal Revenue Service and Practitioners	January 2012
Letter Requesting Guidance on Line 8 on Schedule R and Method Change Elections	Pension Committee	Internal Revenue Service and Practitioners	December 2011
Issue Brief on the Social Security Trust Fund	Social Security Committee	General Public and Policymakers	December 2011