Comment #102—10/29/2020—3:26 p.m.

October 29, 2020

The Committee on Qualifications
American Academy of Actuaries
1850 M Street, NW, Suite 300
Washington, DC 20036

To Whom It May Concern:

I am writing to provide comments on the September 2020 Exposure Draft of the proposed revisions to the Qualification Standards (including Continuing Education Requirements) for Actuaries Issuing Statements of Actuarial Opinion in the United States (QS). My comments are my personal views and do not reflect the views of my employer or any organization of which I am member.

- **Significant Change to the Basic Education Requirement for Enrolled Actuaries –** Question 2 of the transmittal memorandum indicates that the proposed language concerning basic education for enrolled actuaries (EAs) is not intended to be a change. However, the proposed language represent a significant change from the 2008 QS. Under the 2008 QS, EAs were deemed competent in the pension practice without limitation. There was a different rule for continuing education, but by the plain, clear wording of the 2008 QS, there was no ERISA distinction in the basic education requirement. The proposed QS limits EA's deemed competence to ERISA matters.

  The wording of the transmittal memo discouraged pension actuaries from reviewing the proposed QS and thus the CoQ is not receiving the necessary feedback. Additionally, this is such a significant change that to state that it was not intended as a change undermines confidence in the process. I recommend the CoQ re-expose the QS and more carefully draft the transmittal memo with respect to this issue.

- **Merits of Change to the Basic Education Requirement for Enrolled Actuaries –** The proposed QS would limit EAs to be deemed to be qualified only for ERISA work within the pension area. This is an inappropriate limitation in context of the QS. If the CoQ believes it is appropriate to start limiting actuaries to only sub-parts of practice areas, this issue should be dealt with more holistically than this change for EAs. For example, should an ASA pension actuary who has only worked on public plans be deemed qualified to work on private employer plans? Or, should a FSA pension actuary has only worked on large private plans be deemed qualified to work on either public plans or small private plans? Either the CoQ needs to meaningfully consider, all sub-practices and qualifications, the Board needs to approve the development of a pension specific qualification standard, or the CoQ needs to rely on the professional judgment of actuaries to know their individual limitations under Precept 2.

- **Continuing Education for Enrolled Actuaries (2.2.7)** – All EAs subject to the QS should be subject to the 30 hour annual CE requirement. Since 2008, there has been sufficient time for EAs to adapt to this standard and the pace of change continues to accelerate. To stay qualified, there should no longer be a lower standard for EAs who choose to belong to a US based actuarial organization.

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- **Section 1.1** – For what purpose is there a "presumption that the actuary has met the duty of qualification?" In a court of law? Before the ABCD? It is unclear what the purpose of this language is.

- **Fellowship 2.1(a) and 2.1(d)** – ASPPA/ASEA offers a fellowship track in the pension area. Beyond becoming an EA, an individual must complete additional exams including a lengthy exam on a broad array of pension topics. Becoming a FSEA by examination should be recognized in Sections 2.1(a) and 2.1(d). If the CoQ does not recognize the validity of the FSEA by examination for these purposes, the CoQ should explain why.

- **Membership Requirement 2.1(a) –** If there is a membership requirement, the membership requirement should be with respect to any of the five US-based actuarial organizations.

- **Organized activities in section 2.2.2** – I believe the reference in section 2.2.2 to section 2.2.7 is intended to be to section 2.2.6.

- **Section 2.2.6** –For the QS, the actuary needs to look at whether the training is relevant to their practice and maintains or improves his qualifications to issue SAOs The CE requirement under the QS is not suited for broader purposes such as maintaining the profession's reputation, promoting inclusion or fostering social justice. However, it is inappropriate to broadly exclude diversity training from QS CE.

  Diversity training that contributes to an actuary's professionalism should be counted as professionalism CE. Diversity training that enhances an actuary's ability to build actuarial models, choose assumptions, interpret results or otherwise deliver SAOs should not be subject to the three hour business limit. Other diversity training (e.g. increasing the number of minority actuaries) should be counted as CE (provided it is relevant) but should be subject to the three hour business limit.

  If actuarial organizations feel that annual DE&I training should be required, the actuarial organization should make that a membership requirement instead of imposing the requirement into the QS for two reasons:

  - Such a requirement is not consistent with the purposes of the QS. The QS framework is about relevant education for issuing SAOs and is not well-suited for other purposes (no matter how important those purposes may be).
  - The CE requirements of the QS only apply to individuals who issue SAOs. If an actuarial organization feels that its members should attend DE&I training, it should be a membership requirement so that it applies to all members including those who do not issue SAOs.

- **Section 2.2.6** – Additional examples of professionalism:

  - Studying general business ethics
  - Reviewing ASOPs (current language is overly focused on exposure drafts)
  - Reading professionalism articles in actuarial journals
  - For enrolled actuaries, reviewing the standards of practice in the JBEA regulations
  - Communications training that enhances an ability to communicate SAOs clearly to Principals
  - Diversity training that enhances an actuary's ability to communicate SAOs to Principals. Principals with different backgrounds may have vastly different communication needs. To comply with ASOP 41, an actuary may feel that diversity training is relevant to his practice so he that may communicate SAOs more clearly to a broad group of Principals.
  - Ethical issues related to diversity as it relates to the delivery of actuarial services. For example, it may be observed that certain claims experience are related to immutable characteristics such as race. Actuaries may feel that training on the appropriate, ethical use of such data is relevant to their practice.

- **Limitation on Business Hours 2.2.2 and 2.2.8** – It would be clearer if the three hour limit on general business education was moved from Section 2.2.8 to section 2.2.2.

- In **section 2.2.7** there are examples of "business and consulting skills." Section 2.2.8 limits the number of "general business courses…" which may be counted toward CE to three hours. The QS would be clearer if the language was harmonized.

- **Section 5** should be updated to reference Schedule SB/MB instead of B.

- **Section 6.1** – "should keep" should be changed to "must keep."

- **With respect to the Appendix 1**,

  - The following should not be considered SAOs:
    - A38. Pension plan non-discrimination - Treating a nondiscrimination test as a SAO is inconsistent with its treatment in ASOP 4.
    - A53. A pension benefit calculation – Pension benefit calculations are performed according to the terms of the plan document. There is no actuarial discretion or judgment involved. Additionally, treating a benefit calculation as a SAO would be inconsistent with its treatment in ASOP 4.

  - It would be helpful if additional explanation was provided on how the items listed in C would not SAOs.

  - The following should be considered SAOs:
    - Actuarial assumption review
    - Risk assessments
    - Replication of another actuary's pension valuation

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Thank you for considering these comments.

Sincerely,

/s/

Karen Smith