



Employee Benefits, Actuarial & Investment Consulting

October 30, 2020

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

To the Committee on Qualifications:

Please accept the following comments on the 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 (USQS)* offered on behalf of the credentialed actuaries at Bolton Partners, Inc. (Bolton). Bolton's actuaries include members of the Society of Actuaries, American Academy of Actuaries, Conference of Consulting Actuaries, and American Society of Enrolled Actuaries, each of whom is subject to the U.S. Qualification Standards. Many of our senior actuaries are active volunteers within the actuarial profession, devoting time to support the volunteer-led work of the American Academy of Actuaries, Society of Actuaries, and Conference of Consulting Actuaries. We practice in the areas of pension and health.

Having read the Exposure Draft, we are concerned with several aspects of the proposed changes. These include:

- Elimination of certain credentials issued by the Conference of Consulting Actuaries and American Society of Enrolled Actuaries as a means by which Enrolled Actuaries can meet the Basic Education and Experience Requirements;
- Lack of clarity regarding the application of the changes proposed in the Exposure Draft to Associates of the Society of Actuaries and to Enrolled Actuaries that have not attained a Society of Actuaries' credential;
- Characterization of the changes proposed in the Exposure Draft, suggesting they are of a more trivial nature than they are as drafted; and
- Incorrect references within certain sections.

Each of these is discussed in more depth in the following sections of this letter.

Response to Specific Questions Posed in the Exposure Draft

The Board of Directors of the American Academy of Actuaries asked two specific questions in the transmittal memorandum accompanying the Exposure Draft, which we respond to in summary, and with further support in the remainder of our comments.

- 1. The goal of each of the adjustments to the language related to the basic education under the general portion of the Qualification Standards was to add clarity. Are there particular considerations of basic education that are not clear?**

Yes. Please see our comments in the sections *Inconsistent Treatment of Credentials in*

Basic Education and Experience Requirement and Changes Affecting Associates and Enrolled Actuaries below.

- 1. The goal surrounding the updated language related to the basic and continuing education for Enrolled Actuaries was to add clarity but not to change the requirements. Is this clear in the updated language?**

No, it is not. Please see our comments in the section *Qualification Standards for Enrolled Actuaries* below.

Inconsistent Treatment of Credentials in Basic Education and Experience Requirement

Under the current USQS, an actuary can meet section 2.1(a) of the Basic Education and Experience Requirement through membership in any of the five U.S. based actuarial organizations. The Exposure Draft eliminates the Fellow of the Conference of Consulting Actuaries (FCA) and Member or Fellow of the American Society of Enrolled Actuaries (MSEA and FSEA, respectively) credentials, and adds the Enrolled Actuary (EA) credential. **We support the addition of the Enrolled Actuary credential in Section 2.1(a) but question the inconsistent treatment of the credentials issued by the Academy, CCA and ASEA.**

No rationale has been offered for eliminating the FCA, MSEA and FSEA credentials in Section 2.1(a), while retaining the Member of the American Academy of Actuaries (MAAA) as a credential that allows an actuary to satisfy the basic education requirements. Neither the MAAA, FCA or MSEA designations require demonstration of examination or professional development education beyond attainment of other credentials that are already listed in this section (FSA, ASA, FCAS, ACAS, or EA) and meeting the same (or very similar) continuing education requirements included in section 2.2 of the USQS. In some instances, the FSEA designation does involve additional formal testing, while in others it is awarded to Enrolled Actuaries that demonstrate a 15+ year history of professional achievement in the area of pension actuarial practice.

Bolton actuaries who obtain their EA designation without either the ASA or FSA credential are encouraged to join the Academy, CCA and/or ASEA, with the decision left to each individual to determine which organization(s) they believe will best support their professional needs.¹ We believe the current USQS appropriately require any one of the MAAA, FCA, MSEA or FSEA credential in addition to the EA designation for an Enrolled Actuary to meet the requirements of Section 2.1.

Conversely, some actuaries who attain the FSA credential decide later in their career to discontinue paying dues to the Society of Actuaries and therefore lose the ability to use that

¹ While we do not limit the number of organizations to which we will pay membership dues on behalf of our actuaries, we do ask them to make prudent business decisions when determining which organizations to join after attaining their examination-based credentials.

credential while choosing to maintain other actuarial credentials, such as the FCA, MSEA, FSEA or MAAA. Such an individual would be able to meet the requirements in Section 2.1(b), (c) and (d)(1) but could not meet the requirements of Section 2.1(a) as proposed in the Exposure Draft unless they are an Enrolled Actuary (which they may not be) or a member of the Academy.

We see no material difference in the membership requirements for the MAAA and those to obtain the FCA, MSEA and FSEA requirements other than in certain cases the latter three require an explicit period of actuarial experience, while the MAAA credential does not. ***As such, we request that the language in Section 2.1(a) be revised to reinstate reference to the FCA, MSEA and FSEA credentials.***

At best, this proposed change in Section 2.1(a) appears to be a misunderstanding of the credentialing process and requirements of the CCA and ASEA. At worst, this language elevates the Academy membership over membership in other equally qualified organizations which could be viewed as an anti-competitive practice of suppressing the value of other equally valid and comparable actuarial credentials to benefit the Academy. While the Academy Board may conclude that inclusion of the FCA, MSEA and FSEA credentials is redundant, if indeed that is their justification, including them in Section 2.1(a) causes no harm and avoids the appearance of impropriety.

Alternatively, the issues with Section 2.1(a) could be addressed by deleting this requirement in its entirety, as it becomes redundant with the requirements of Sections 2.1(b) – (d).

Changes Affecting Associates and Enrolled Actuaries

We are also concerned about other material changes proposed in Section 2.1 of the USQS as they relate to individuals who obtain the ASA credential without continuing on to obtain their FSA. We refer to such an individual as a “career ASA” for purposes of this discussion.

The changes made in Section 2.1(d) adversely affect these individuals compared to the current USQS. We support making changes from time-to-time that improve actuarial practice and strengthen the profession’s commitment to ensuring actuarial services are provided by qualified individuals. The changes made with respect to each of these groups is problematic, as it can have the effect of inappropriately disqualifying individual actuaries who are eminently qualified in their selected field of actuarial practice from issuing Statements of Actuarial Opinion.

An actuary who attains the ASA credential but does not continue their education through the Fellowship designation meets the requirements of Section 2.1(a), and is able to meet the requirements of Sections 2.1(b) and 2.1(c) with the appropriate experience, examinations, or professional development in the actuarial subject matter with which they will work. However, they will only be able to meet Section 2.1(d) through the part (3) requirement to have three years of experience supervised by another actuary who meets the Qualification Standards at the time that supervision occurs.

This appears to suffice as a grandfathering mechanism for current ASAs but can create problems over time for new ASAs. It is not clear that an ASA who meets the USQS under Section 2.1(d)(3) is able to then serve as the supervising qualified actuary for the next generation of ASAs working under them.

Our firm employs 12 FSAs, but not all of our student actuaries or Enrolled Actuaries are supervised in their work by one of these FSAs. While each of our sector teams (single employer, multiemployer, municipal, OPEB and federal government) employs at least one FSA, that FSA does not necessarily work regularly and consistently with all of the staff in that practice area. We rely on our “career ASAs” and Enrolled Actuaries to provide the supervision and training that is anticipated by Section 2.1(d)(3) for certain members of our staff, particularly in our smaller satellite offices. Many of these actuaries have been practicing for more than 20 years, are extremely knowledgeable in all aspects of the actuarial services they provide to their clients and are well-versed in the requirements of the Code of Conduct, ASOPs and USQS. They should remain qualified to mentor and instruct our newer ASAs and EAs in the development of Statements of Actuarial Opinion, and to support those newer ASAs and EAs ability to meet the USQS themselves. Further, those newer ASAs and EAs should in turn be able to do the same for the generation that follows them, assuming they meet the other qualification requirements.

This same issue exists with respect to Enrolled Actuaries, who must also rely on Section 2.1(d)(3) for meeting the Basic Education and Experience Requirement.

Based on other comments submitted on the Exposure Draft and discussions we have had with actuaries from other firms, it is not clear that this is the case. ***If it is the intent that once an ASA or EA meets the USQS using Section 2.1(d)(3) they can then supervise other actuaries seeking to meet Section 2.1(d)(3), that needs to be made more explicit to eliminate the confusion and uncertainty introduced by the language of the Exposure Draft.***

Qualification Standards for Enrolled Actuaries

The updated language in the Exposure Draft very explicitly, and we believe intentionally, changes the basic education requirements for Enrolled Actuaries with respect to a wide array of Statements of Actuarial Opinion. While we support the goal of ensuring that pension actuaries obtain the necessary knowledge needed to responsibly issue Statements of Actuarial Opinion other than the Schedule SB/MB attachment to Form 5500, calculation of the PBGC variable rate premium, and issuing of funded status certifications, the manner in which the Academy appears to be attempting to enact these changes is troublesome. At best it is opaque. Some may view it as being intentionally misleading.

An Enrolled Actuary, when providing pension actuarial services, may issue a Statement of Actuarial Opinion (SAO) that falls in one of three categories:

- a. A SAO which ERISA mandates be performed by an Enrolled Actuary;
- b. A SAO which is not mandated by ERISA to be performed by an Enrolled Actuary, but which is the subject of material included on the syllabus for examination by Joint Board for the Enrollment of Actuaries; and
- c. A SAO that addresses matters not directly covered by ERISA, such as pension accounting.

Section 2.1.1(a) of the Exposure Draft covers only SAOs for category a., providing that Enrolled Actuaries meeting all four criteria in 2.1(a) – (d) with respect to these SAO. We find this change to merely be a clarification of the language in the 2008 USQS. However, with respect to categories b. and c. the requirements imposed on an Enrolled Actuary who does not have an SOA credential have clearly changed, contrary to the stated intent of the Academy's Board of Directors in question 2 of the transmittal memorandum. While we agree that an Enrolled Actuary who issues SAOs in category b. and c. should be subject to the USQS when doing so, the changes made in Section 2.1(a) provide only one path for this to happen – join the Academy. As noted previously, membership in CCA (either as an FCA or ACA) or ASEA (either a MSEA or FSEA) subjects an individual to the Code of Conduct and the continuing education requirements of the USQS, and practicing with respect to any of the subject matter in category b. subjects them to discipline by the JBEA.

While we could argue that the SAOs in category b. should also be covered under Section 2.1.1(a) instead of 2.1.1(b), we do not oppose including them in Section 2.1.1(b) so long as the FCA, MSEA and FSEA credentials are reinstated in Section 2.1(a) as having equal standing with the MAAA credential. This includes the following items to the extent they are considered SAOs:

- ERISA Section 4044 asset allocations for a plan spinoff;
- Determining the minimum benefit preservation required in a plan merger;
- Determining the maximum deductible contribution under IRC Section 404;
- Pension plan non-discrimination testing (IRC Sections 401(a)(4), 410(b), 401(a)(26) and 416);
- Preparation of an actuarial valuation report to communicate IRC Section 430/404 minimum/maximum funding requirements; and
- Certification of pension benefit calculations, including applicability of IRC Sections 415 and 401(a)(17) limits.

We agree that SAOs in category c. should require the Enrolled Actuary to be subject to the Code of Conduct, ASOPs and USQS, so that there is a disciplinary body with authority over them to ensure those services are performed with skill and care by an actuary with the proper basic and continuing education. As discussed previously, we believe attainment of the FCA, MSEA or FSEA credential achieves this goal with equal result as the MAAA designation.

Concerns with the Characterization of the Proposed Changes in the Exposure Draft

The language in the transmittal letter suggests that the changes that have been posed are merely clarifications of existing requirements rather than outright changes to the USQS. Based on our review of the Exposure Draft, we believe this is not a fair characterization of the changes being proposed. Accordingly, we believe it is necessary for the Academy to issue a second Exposure Draft before finalizing the new USQS. In that revised Exposure Draft, the Academy should articulate their rationale for each of the changes and clarifications being proposed so that members of the U.S. actuarial organizations are able to make a fair assessment and have the opportunity to provide fully informed comments.

Incorrect References

We note two typographical errors in Section 2.2.2 that must be corrected in the final Qualification Standard.

- The first sentence ends with a reference to “organized activities” and directs the reader to Section 2.2.7. We believe the intended citation is Section 2.2.6.
- The final sentence ends with a reference to the year 2033, which should be corrected to 2023.

Diversity, Equity and Inclusion

Finally, we have read the September 23, 2020 letter sent by Steven D. Armstrong on behalf of the Casualty Actuarial Society. Mr. Armstrong’s letter regarding the inclusion of education regarding Diversity, Equity and Inclusion (DE&I) outlines three options for consideration of DE&I sessions within the continuing professional development requirements. We encourage the Academy to implement one of the options proposed, as they each represent an appropriate step forward in adapting our professional qualification standards. We note that many other organizations, including the International Association of Black Actuaries, the Organization of Latino Actuaries, the Society of Actuaries, the Conference of Consulting Actuaries, the American Society of Enrolled Actuaries, as well as numerous individuals have expressed similar support.

We thank the Committee on Qualifications for their consideration of these comments and appreciate the work that was done by the volunteers on the COQ for their hard work in developing the Exposure Draft.

Respectfully,



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