

September 18, 2020

American Academy of Actuaries Committee on Qualifications
Via Email to 2020USQSCComments@actuary.org

Re: September 2, 2020 Exposure Draft of the U.S. Qualification Standards

To Whom It May Concern:

I am providing the following comments on the referenced Exposure Draft. I am a credentialed Enrolled Actuary (just EA) who is qualified under the current (2008) and prior (2001) versions of the U.S. Qualification Standards (QS) to issue Statements of Actuarial Opinion (SAOs) in the pension area. My SAOs are issued primarily to small sized defined benefit plans (plans with under 100 participants many with under 10.) I appreciate the opportunity to participate in this collaborative process. My comments are my own and are not reflective of my employer or any other organization. My comments relate to language affecting SAOs that I, and I believe many others like me, issue. More precisely, my comments relate to SAOs that future just EAs will issue after these updates to the QS language.

Comment 1: Actuaries reading both the proposed language and the current language have indicated they interpret the language in either version as stating that just EAs are only qualified to issue SAOs required by ERISA. That understanding is a false understanding, so any new proposed language needs to address and clarify the qualifications of just EAs.

Comment 2: The addition of more paragraph lettering and grammatical updates are helpful.

Comment 3: Suggest replacing “Statement of Actuarial Opinion” with SAO consistently in the language.

Comment 4: Definitions would be helpful for adding clarity. Some suggestions are:

1. Define “area of practice.” The prior (2001) QS indicated life, casualty, health and pension; it may be helpful to continue to identify these areas, with the allowance for emerging or nontraditional areas added. Remove all uses of “area” that do not apply in the context of the definition of “area of practice” to avoid confusion, i.e. in 2.1(d), “in any particular area...”
2. Define “actuary” as part of the QS, not as a footnote. That definition seems too important to leave in a footnote, since it predicates being an actuary on being a member of one of the five US based actuarial organizations that have adopted the Code of Professional Conduct. The footnoted definition of actuary does not align to the Code of Professional Conduct’s definition. Should it? It might add clarity if it does.
3. Define “subject.” What is meant by the subject as referenced in “particular subject of the SAO?” If I am issuing an AFTAP, for example, is the subject of the SAO pension, or is it AFTAP, or is it generically an ERISA requirement? Alternatively, for an SAO on an ASC 715 valuation, what is the subject of the SAO? Pension? ASC? FASB?
4. As defined terms, I would suggest they be capitalized throughout.

Comment 5: 2.2.6 suggest replacing “field” with “area” as a defined, or better understood/consistent, term.

* The MSPA and FSPA designations are interchangeable with the updated MSEA and FSEA designations. For clarity, comments will use the MSPA/FSPA designations used in the current QS.

Comment 6: Section 1, Introduction, states in both the current QS and Exposure Draft:

Actuaries who issue Statements of Actuarial Opinion when rendering Actuarial Services in the United States are required by the Code of Professional Conduct to satisfy these Qualification Standards.

In the current QS, to meet the Basic Education and Experience Requirement, Section 2.1 requires an actuary to belong to an actuarial organization that has adopted the Code of Professional Conduct, or another IAA-member organization. The proposed language in 2.1(a) removes this requirement for Enrolled Actuaries. It is not clear what is intended by this change. Does it mean that Enrolled Actuaries no longer need to adhere to the Code of Professional Conduct, but are still qualified to issue SAOs required by ERISA? Perhaps adding a definition for actuary as noted in Comment 4 would add clarity.

Comment 7: In both the current QS and the Exposure Draft, the following language is the same:

Have a minimum of three years of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time.

This single run-on sentence could be replaced with several smaller sentences that are clear in meaning. The language starting with “under the review of an actuary...” is not clear to me, and has never been clear to me. Does it mean:

1. That the reviewing actuary at any point satisfied the Basic Education and Experience Requirement based upon the QS in effect at the time it was satisfied; or
2. That the reviewing actuary would need to satisfy the current Basic Education and Experience Requirement at the time of the review, ignoring 2.1.2?

Alternatively, perhaps there could be a defined term for such reviewing actuary that could be inserted where applicable to improve readability.

An example might help, assuming the proposed language applies. A person becomes a just EA in 2023 and is subject to the updated QS. That person can only satisfy 2.1(a) by being an Enrolled Actuary. That person is deemed to satisfy 2.1(b) and (c) by being an Enrolled Actuary. The only path for the just EA to satisfy 2.1(d) is via 2.1(d)(3.) Who can mentor this just EA? Is a person who attained just EA status in 2021 and who is a MSPA* (thereby satisfying the Basic Education and Experience Requirement under the current QS) able to review? Presumably, that mentor just EA does not satisfy 2.1(d)(3) under the updated language since they have only been a just EA for 2 years. Since the requirements only need to be satisfied once per 2.1.2 (new reference), is the 2021 just EA qualified to review the 2023 just EA’s experience?

Comment 8: Under 2.1.1(b), are not 2.1(b) and 2.1(d)(3) the same? What is the difference when considering Enrolled Actuaries who only practice in the pension area?

Comment 9: The rewrite of 2.1.1 does appear to be both significant and necessary. As drafted, however, it does not accomplish the presumed goal. It appears the current 2.1.1 provides a blanket satisfaction of the Basic Education and Experience Requirements for just EAs, when really, only the first three bullets should be deemed satisfied by just EAs. The requirements after “In addition” should still apply to just EAs, and it is that language that needs to be clarified.

Currently, a just EA can satisfy (proposed new reference) 2.1(d) by:

1. Attaining an FSPA designation. Becoming an FSPA is a specialty track in the pension area. This designation has been removed. That removal seems like a significant change, not a clarification of prior language. The JBEA requires rigorous demonstration of responsible actuarial experience

that goes well beyond ERISA to obtain the EA designation, and the FSPA designation requires rigorous demonstration of additional topics applicable to SAOs issued in the pension area.

2. Attaining an FCA designation with one year of experience. This designation has also been removed. This removal also seems like a significant change, not a clarification of prior language.

Requiring another 3 years of experience before becoming qualified to issue an SAO seems unduly burdensome and unnecessary, as well as contrary to the stated goal of the proposed language.

2.1.1 currently deems just EAs to satisfy the entire Basic Education and Experience Requirements to issue SAOs in the pension area. It should differentiate between SAOs for topics covered by the JBEA examinations, those covered by the FSPA examinations, and those not covered by either. The proposed language does not accomplish this goal. I know dozens of just EAs and none solely issue SAOs required by ERISA; in fact, we are not allowed to do so under the ASOPs or the Joint Board Regulations. ASOP 51, for example, requires disclosure of risk, even if issuing an SAO in the form of a funding valuation under ERISA. That means our SAO no longer is solely an ERISA required SAO. Joint Board Regulation 901.20(c) states, "An enrolled actuary shall provide to the plan administrator upon appropriate request, supplemental advice or explanation relative to any report signed or certified by such enrolled actuary." To be a qualified actuary, just EAs must satisfy the QS to issue *any* SAO, even one required by ERISA. Please rewrite; the new 2.1.1 language is untenable (unless the intention is to remove the ability to issue SAOs from future just EAs which cannot be the case.)

Comment 10: If any of the current proposed language in 2.1.1 remains, it should align with the Joint Board Regulations definition in 901.1(a), which includes actuarial services required under ERISA *or regulations thereunder*.

Comment 11: In the Continuing Education Requirements, the Applicability to Enrolled Actuaries in 2.2.7, now 2.2.8, as referenced in the background section has current language that is clear, excepting needing some updates made by changes under PPA '06. There is no need for bifurcation into (a) SAOs and (b) SAOs as explained in Comment 9.

Comment 12: Should 3.1.2 include a reference that it applies only to Section 3? "An actuary may also satisfy the basic education requirement under this Section 3/Specific Qualification Standards by acquiring comprehensive..."

Comment 13: Venturing outside my area of practice, it appears that as the IAA references were removed, the QS was inadvertently changed to require Academy membership for those holding non-US designations. If the goal is not to change the QS, then 2.1(d)(1) and (2) could be rewritten as:

- a) In addition to (a), (b), and (c) above, in order for an actuary to issue Statements of Actuarial Opinion in any particular area of actuarial practice, an actuary must meet one of the following with respect to the particular subject of the Statement of Actuarial Opinion:
 - (1) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-US actuarial organization and be a member of the Academy, a Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization. In addition, the actuary must have completed a specialized course of examination, such as a specialty track, in the area of actuarial practice relevant to the subject of the SAO; or
 - (2) Attain (i) fellowship in the CAS or SOA, or (ii) the highest possible actuarial designation of a non-US actuarial organization and be a member of the Academy, a

Fellow of the CCA, a Member or Fellow of ASPPA, or a fully qualified member of another IAA-member organization. In addition, the actuary must have a minimum of one year of responsible actuarial experience in the area of actuarial practice relevant to the subject of the SAO under the review of an actuary who was qualified to issue the SAO at the time the review took place under standards in effect at that time; or

Comment 13: There is a consensus that just EAs are able to work and issue SAOs on any subject covered by the JBEA examination material, and only need 30 hours of CE if issuing SAOs that are not part of the JBEA examination material. Any revisions to the QS language should align with this consensus. If the consensus is incorrect, then a larger discussion of more than just clarifying the existing QS language needs to occur.

In closing, I would sincerely like to thank this committee for the time and effort contributed to date and in the future. I wish I had more time to consider and organize my comments, but the timing of the comment period fell during a very busy time of year. I am certainly available to clarify anything as needed.

Sincerely

A handwritten signature in cursive script that reads "Kim".

Kimberly A. Corona
Reviewing Actuary