HIGHLIGHTS
of the
2014 ANNUAL MEETING AND PUBLIC POLICY FORUM

American Academy *of* Actuaries

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Dear Academy Members,

WELCOME! The Academy put this brochure together to share some of the highlights from the recently completed 2014 Annual Meeting and Public Policy Forum. Inside you'll find highlights from the keynote addresses and broad plenary sessions, and we'll share some elements from the interactive, practice-specific breakout sessions.

Our forum offered attendees a unique opportunity to engage in a dialogue on key issues with public policymakers and stakeholders who play critical roles in shaping those policies. Outstanding presenters and guest speakers shared their work on the latest developments in public policy and professionalism, and how they have an impact on actuarial practice—and how actuarial practice can affect public policy.

Attendees were able to offer their perspectives to a variety of key public policy figures—including administration representatives, state regulators, international insurance experts, and Capitol Hill staff—on issues that matter to the American public. Actuaries are playing a vital role in framing these discussions, and the Annual Meeting gave attendees a unique opportunity to engage directly with policymakers and thought leaders.

Read on for more details about the 2014 Annual Meeting and Public Policy Forum, and the unrivaled access to leading policymakers we strive to provide. I thank all of you for your own personal commitment to represent the very best our profession has to offer, and for helping the Academy make a difference for the profession and the public we serve.

TOM TERRY PAST PRESIDENT, AMERICAN ACADEMY OF ACTUARIES

Former HHS Secretary Kathleen Sebelius Discusses ACA Rollout

Former Secretary of Health and Human Services (HHS) Kathleen Sebelius took to the podium offered her by Academy President Tom Terry to kick off the Public Policy Forum by thanking actuaries "for the important work you do" and crediting that "a lot of my public policy decisions have been based on advice and recommendations from actuaries." Before serving as HHS secretary from the beginning of the Obama administration until stepping down in 2014, Sebelius served as governor of Kansas, and before that, as Kansas state insurance commissioner. In all three roles, she said, she learned that "the expertise that your members bring to the table is essential."

In her remarks Sebelius acknowledged mistakes were made in the implementation of the Affordable Care Act (ACA), explaining that HHS "spent a lot of time and energy making sure that insurance companies would participate, and, clearly, not enough time on the website." While the first eight weeks were very difficult, she did what she thought needed to be done when there is a big mistake: own it, apologize for it, and fix it.

Looking forward, Sebelius identified four trends that "are playing out and will accelerate" in the health care market over the next several years:

- A move from fee-for-service to a value-based payment system based on outcomes and measurements;
- The introduction of big data, that, "for the first time, will introduce a major consumer voice in health care, which was really not heard from in the past. Because most people didn't even have their own data, much less be able to compare with what was going on."
- A focus on prevention and early intervention for keeping people healthier in the first place, and for addressing two issues that drive a lot of chronic healthcare costs: smoking and obesity; and,
- Personalized medicine and targeted therapies. "While we now know that a certain drug is not effective for everyone, it may be effective for, for example, 50-year-old women who have a certain genetic profile," she explained. Eighty percent of 50 potential breakthrough drugs that the FDA recently identified are in targeted therapies, with the potential to save lives and cure diseases that earlier had been impervious to drug treatment.

Asked what changes she would make to the ACA with the benefit of hindsight, Sebelius said, "Repeal is not mathematically likely to happen … so the discussion is, what can be agreed upon politically?" She pointed out that the bill defines a "workweek" as 30 hours, which may be adjusted. "There are features of the bill, around paperwork that large employers are going to be submitting," that she thinks may be changed. "There is also an ongoing discussion around the medical device tax."

But, she worried, "We are growing a two-nation health strategy," as some governors choose to opt out of Medicaid expansion. "We may see lower-income workers who have no options. Whether or not that can be legislatively solved, I have grave doubts."

Asked whether the law's individual mandate is likely to change, Sebelius said, "No. I think it's pretty simple. If people want to have insurance sold without medical underwriting and without pre-existing conditions, then you really have to have a requirement that everyone bear some of the responsibility."

Addressing her own future, Sebelius told attendees she expected to be done with elected office at this point in her life. "I'm hoping not to do one more big job. I've done that a number of times and want to enjoy more flexibility. And my most important job right now is as grandmother of an almost-perfect 2-year-old."

Senator Ben Nelson, NAIC CEO, Explores Academy's Role in Insurance Regulation

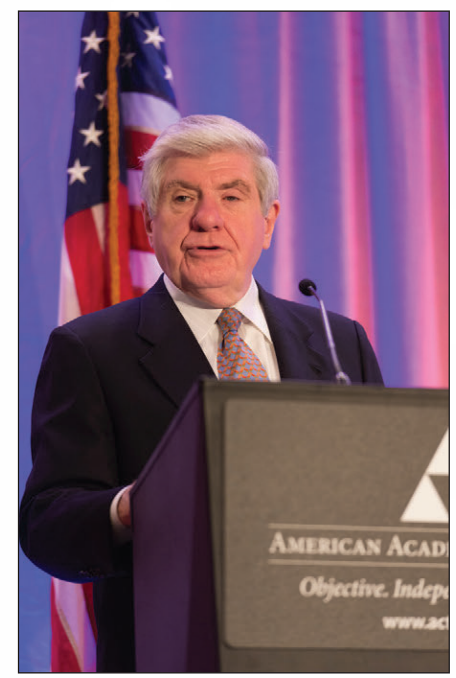
Ben Nelson, former U.S. senator and governor from Nebraska and current CEO of the NAIC, addressed a wide range of insurance industry topics in a speech to Academy members at the Annual Meeting and Public Policy Forum.

"There are deep ties and important work that binds the actuarial profession and the NAIC, so I truly thank you for your involvement and contributions over the nearly 50-year history of the Academy," he said. "As many of you know, we have a number of important regulatory issues we're working on domestically. The Academy and the actuarial profession have been instrumental in this work."

Nelson spent time discussing international trends in insurance regulation, noting that "as financial entities become more interconnected and insurance markets expand globally, the work just gets harder and the need for collaboration greater."

But he worried that the American insurance system "is different from the model being pursued in other countries, where frankly, insurance is viewed almost as an extension of the banking industry. That difference leads to fundamental disagreements on how to approach issues like capital."

"We are striving to craft international standards that recognize our strong system. However, if we are unsuccessful, we will continue to fight to ensure that those standards inappropriate to our market do not move forward for U.S. firms," Nelson said.



He discussed at length the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Financial Stability Oversight Council (FSOC) it created. The FSOC, Nelson cautioned, must be careful to recognize the unique position of the U.S. insurance industry. "Those regulators with banking expertise and experience are treating large insurers like banks."

FSOC, Nelson said, "would be better served to focus on the products and activities that actually caused the financial crisis, and not use the crisis as an excuse to expand member agencies' empires and simply try to overlay another regulator … buckling another seat belt over our laps as passengers won't help if you're still letting other parts of the financial system drive at 100 miles per hour."

He highlighted the "lack of an exit ramp" for companies designated as Systemically Important Financial Institutions under Dodd-Frank as a particular concern. "Without a clear understanding of what specific factors caused the systemic designation, there isn't a clear roadmap for companies to follow to remove the designation, which is the ultimate goal — remove or at least reduce systemic risk."

Nelson concluded by highlighting the cooperation between the NAIC and the Academy. "I want to commend the Academy members and its exceptional staff for working directly with NAIC — your efforts have made a huge difference."

"Insurance and insurance regulation is complex and at times seems arcane, but as we speak, we are seeing the consequences if the public and policymakers don't understand how our sector works and how it serves other parts of the economy. We've got a lot more work to do, but I'm confident our collective efforts will be successful."

◀ Former Health and Human Services Secretary Kathleen Sebelius delivers her opening keynote speech on the rollout of the Affordable Care Act, and how actuaries have helped her throughout her career.

▲ Ben Nelson, former senator and current CEO of NAIC, delivers his keynote speech on the role of actuarial science in the world of insurance regulation.

Nora Super, White House Conference on Aging Chief, Addresses Members

The White House plans to mark the 50th anniversaries of Medicare and Medicaid with the fifth incarnation of a once-a-decade event, the White House Conference on Aging (WHCOA). Nora Super, appointed executive director of the 2015 WHCOA in August, spoke to Academy members at the Annual Meeting and Public Policy Forum.

Nora Super, executive director of the 2015 White House Conference on Aging, delivers her lunchtime keynote speech on the challenges and opportunities posed by an aging demographic.

Organizers planning the conference are working with a theme of "conversation, celebration, and change," Super said. "'Conversation,' because we are talking with older Americans about what matters to them. 'Celebration,' because we are celebrating important milestones like the 50th anniversaries of Medicare and Medicaid, and the 80th anniversary of Social Security. And 'Change,' because we are looking at changes in the aging landscape."

Created by the 1958 White House Conference on Aging Act, the WHCOA provides an opportunity for White House officials, policymakers, regulators, industry leaders, other public policy experts, and the general public to explore policy solutions to issues facing an aging population. The conference is expected to take place in the third quarter of 2015; however, webcasts and events will be held across the country throughout the year to get widespread input.

The WHCOA, Super said, will touch on many issues relevant to actuarial practice, including health care and insurance, long-term care, retirement, and income security.

Echoing a theme that has emerged at several Academy events related to aging, Super focused on the idea that the wave of baby boomer retirements expected in coming years poses challenges, but could be a boon to the economy.

"People are ready to shift the conversation from one that assumes the coming age wave will overwhelm us, to one that assumes that it can benefit us," she said. "The older Americans we talked to are ready for a new kind of social and civic engagement. They're asking us, 'How can people use the skills they gained in their careers to make a difference in their communities?'"

The Academy has engaged conference planners to explore ways in which the Academy and the actuarial profession can be involved in the WHCOA. The Academy's Summer Summit in July, shortly before Super's appointment, offered leaders in the profession an opportunity to weigh in on issues that have a unique actuarial perspective and should be part of the national discourse during the WHCOA.

"The Annual Meeting offers a chance to work directly with policymakers in my practice area, and to learn about the latest developments from Washington and beyond."

– Response From the Attendee Survey

Actuaries and the Risk of Insider Trading Charges

The Securities and Exchange Commission (SEC) is currently conducting at least three separate investigations into the possibility of insider trading involving employees of the Centers for Medicare and Medicaid Services (CMS). At least one of those cases involves an issue many actuaries work with on a day-to-day basis — Medicare reimbursement rates.

The investigations include a June 2010 CMS decision to set coverage limits on a prostate cancer drug made by Dendreon Corp., a research firm that has made many accurate predictions about Medicare payments for medical products, and the possibility that an April 1, 2013, announcement of 2014 Medicare reimbursement rates may have leaked to traders before it was formally announced.

That news, sober as it might be, drove one of the most entertaining and informative conversations the Academy has been privileged to host, at its November Annual Meeting and Public Policy Forum.

A pair of lawyers who have sat on opposite sides of a courtroom over insider trading allegations took the stage, at the invitation of the Academy's professionalism team, for the Annual Meeting's closing session. They briefed members on the laws behind insider trading, and how to conduct oneself in a way that minimizes the risk of running afoul of them at work, at home, and at the Thanksgiving dinner table with your brother-in-law (brothers-in-law come up surprisingly often in their line of work).

Stephen Cohen is the associate director of the SEC's Enforcement Division — the federal agency responsible for policing insider trading. Steven Salky, a partner at Zuckerman Spaeder, is a defense attorney who specializes in representing companies and individuals in white-collar criminal cases, regulatory agency investigations, and civil litigation.

Cohen and Salky walked attendees through the 2012 Stop Trading on Congressional Knowledge (STOCK) Act, and the risks posed to those who interact with congressional staff or employees of the executive branch on public issues. They identified other professional situations in which an actuary might have exposure to Material Non Public Information (MNPI), either through working at a public company or working for companies where one might be a temporary insider exposed to another company's MNPI. The pair took questions from the audience.

The session was closed to the press, and Cohen and Salky spoke with the agreement that the Academy would not publish their remarks, because of the sensitive nature of their positions, and in order to allow members to ask frank questions. We are permitted to report that Cohen and Salky were both entertaining and informative.

Steve Salky, a defense attorney at Zuckerman Spaeder LLP, and Stephen Cohen, associate director for the Securities and Exchange Commission's Division of Enforcement, discuss requirements of the insider trading laws and what steps actuaries (and others) can take to effectively manage the potential risks posed by the law.

PHOTO HIGHLIGHTS OF ACADEMY AWARD HONOREES

Academy Outstanding Volunteerism Awards; busts of a Chinese mandarin and his scribe, representing the role of the actuary as a trusted adviser to the country's decisionmakers; commemorative vase presented to the Casualty Actuarial Society in honor of the CAS centennial anniversary.

Immediate Past President Tom Terry (right) presents the Outstanding Volunteerism Award to Robert Rietz, former chairperson of the Actuarial Board for Counseling and Discipline.

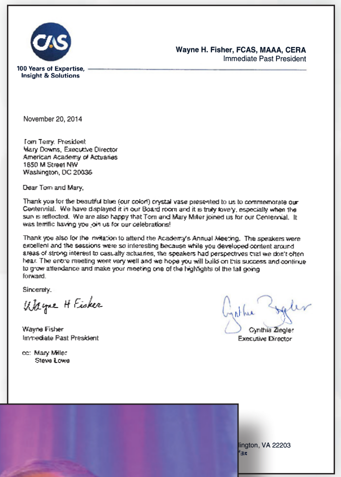
Terry (right) presents the Outstanding Volunteerism Award to Donna Novak for her work as a leader of the Health Practice Council.

Terry (right) presents the Outstanding Volunteerism Award to David Neve, vice chairperson of the Life Practice Council.

Terry (left) presents the Robert J. Myers Public Service Award to Ronald Gresch, senior health actuary with the U.S. Office of Personnel Management, in recognition of his exceptional career dedicated to public service.

Terry (left) presents the Jarvis Farley Service Award to Stephen Kellison in recognition of his extraordinary lifetime service to the actuarial profession as an Actuarial Standards Board and Academy volunteer.

Terry (left) presents the Outstanding Volunteerism Award to Stephen Strommen for his exemplary work as a member of the Risk Management and Financial Reporting Council.



CAS
100 Years of Expertise, Insight & Solutions

Wayne H. Fisher, FCAS, MAAA, CERA
Immediate Past President

November 20, 2014

Tom Terry, President
Mary Downs, Executive Director
American Academy of Actuaries
1850 M Street NW
Washington, DC 20036

Dear Tom and Mary,

Thank you for the beautiful blue (our color!) crystal vase presented to us to commemorate our Centennial. We have displayed it in our Board room and it is truly lovely, especially when the sun is reflected. We are also happy that Tom and Mary Miller joined us for our Centennial. It was terrific having you join us for our celebrations!

Thank you also for the invitation to attend the Academy's Annual Meeting. The speakers were excellent and the sessions were so interesting because while you developed content around areas of strong interest to casualty actuaries, the speakers had perspectives that we don't often hear. The entire meeting went very well and we hope you will build on this success and continue to grow attendance and make your meeting one of the highlights of the fall going forward.

Sincerely,

Wayne H Fisher

Wayne Fisher
Immediate Past President

Cynthia Ziegler
Cynthia Ziegler
Executive Director

cc: Mary Miller
Steve Lowe

lington, VA 22203

In honor of the Casualty Actuarial Society's centennial anniversary, Terry (left) presents to CAS Executive Director Wayne Fisher a gift, for which the CAS thanked the Academy in a touching letter (inset).

THE ANNUAL MEETING OFFERS ATTENDEES THE OPPORTUNITY TO LEARN ABOUT THE LATEST DEVELOPMENTS IN PUBLIC POLICY AND REGULATION AS IT AFFECTS THEIR SPECIFIC DISCIPLINES.

LIFE

▶ The Other Side of PBR: Reviewing Results

Panelists: MIKE BOERNER, Texas Department of Insurance; LARRY BRUNING, National Association of Insurance Commissioners; SCOTT ROBINSON, Moody's Investors Service; JEFFREY SCHLINSOG, PricewaterhouseCoopers LLP

Moderator: RANDALL STEVENSON, Consulting Actuary, INS Consulting Inc.

▶ Is Nonforfeiture Ready for a Change? Issues and Concerns

Panelists: JOHN BRUINS, American Council of Life Insurers; Brenda Cude, College of Family and Consumer Sciences, University of Georgia; TOMASZ SERBINOWSKI, Utah Insurance Department

Moderator: JOHN MACBAIN, Actuarial Resources Corporation

The breakout sessions in the life track focused on two key issues: principle-based reserving (PBR) and nonforfeiture.

During the first session on PBR, panel experts discussed what the world will look like after insurers start using PBR, including an increased workload for regulators and insurers. But, they noted that the NAIC is developing tools and resources to help streamline the auditing process. Attendees learned that post-PBR, auditors will have to evaluate experience studies, assumption-setting processes, and asset models and assumptions in a process that should be performed *before* year-end—a much wider scope than pre-PBR audits. The panel also discussed the ways in which the NAIC plans to make it easier on state regulators, including hiring new staff to help in evaluating PBR applications, collection of company experience data, development of industry range of assumptions for benchmarks, and validating model assumptions.

In the nonforfeiture breakout session, panelists focused on the NAIC's 1942 Standard Nonforfeiture Law for Life Insurance. That nonforfeiture law has remained largely unchanged since being created, but some are now calling for its modernization. It was written for an era with simpler products, and applying the law to many newer products presents a challenge, panel members noted. Attendees had the opportunity to better understand some of the challenges to nonforfeiture reform, including industry uncertainty and application of an older law to newer insurance products.

Panelists stressed the importance of communicating the necessity of reform and its benefits to consumers, especially with expected cost increases. Attendees also learned about some of the basic ideas for reform based on a 2011 report by the Nonforfeiture Modernization Work Group.

Scott Robinson, senior vice president at Moody's Investors Service, addresses attendees at the breakout discussion, "The Other Side of PBR: Reviewing Results."

CASUALTY

▶ Natural Disasters: From Global to Local

Panelists: KAREN CLARK, Karen Clark & Co.; D. ANDREW NEAL, FSA, Federal Insurance and Mitigation Administration, FEMA; Sonja Larkin-Thorne, Consumer Advocate

Moderator: SHAWNA ACKERMAN, Vice President, Casualty Practice Council, American Academy of Actuaries

▶ TRIA: Terrorism Risk

Panelists: BAIRD WEBEL, Congressional Research Service; JILL NAAMANE, Financial Markets and Community Investments, Government Accountability Office; CLIFF ROBERTI, Housing and Insurance, Committee on Financial Services, U.S. House of Representatives

Moderator: CRAIG HANNA, Director of Public Policy, American Academy of Actuaries

▶ Price Optimization/Disparate Impact

Panelists: LAWRENCE H. MIREL, Nelson Brown & Co.; Arthur Schwartz, MAAA, FCAS, North Carolina Insurance Department

Moderator: DEE DEE MAYS, Casualty Practice Council, American Academy of Actuaries

D. Andrew Neal, actuary at FEMA's Federal Insurance and Mitigation Administration, presents during the panel discussion "Natural Disasters: From Global to Local."

From natural disasters to terrorism risk to price optimization/disparate impact, there was something for all property-casualty actuaries at the Academy's Public Policy Forum. Breakout sessions featured speakers from FEMA, the U.S. Government Accountability Office, state insurance departments, and the U.S. House of Representatives.

Panelists discussed the difficulties in predicting weather-related events and their costs, which are borne by consumers, businesses, government, and insurers, during the breakout session on natural disasters. Attendees were told of the challenges facing the National Flood Insurance Program because premiums were not adequate to cover the losses. Despite better modeling techniques, panelists noted there is still high uncertainty when trying to predict potential losses from extreme weather events due to the lack of historical data. However, while catastrophe models cannot predict accurate losses over time, they can help provide relative risk assessments and enable the ability to test different sets of assumptions of what might happen.

In the session on terrorism risk, speakers discussed the history and the future of the Terrorism Risk Insurance Act (TRIA) and how insurers and the economy could be affected by any changes in the program. As the Annual Meeting took place, TRIA's expiration was looming before Congress, and panelists examined how potential changes to TRIA could affect the marketplace including altering the deductible or coshare, changing the trigger point for when the government takes over payments, and adding a federal reinsurance charge.

The last breakout session highlighted a new and evolving area of actuarial practice—price optimization. As the panel noted, price optimization has no single definition or widely accepted actuarial methodology. It starts from actuarial pricing but considers demand elasticity, a customer's willingness or ability to pay, and competitor's prices. The panel examined a variety of models and approaches to price optimization, paying close attention to some of the professionalism implications for actuaries.

BREAKOUT SESSIONS

HEALTH

▶ 2016 Benefit and Payment Parameters

Panelists: ALLISON C. YADSKO, Exchange Policy and Operations Group, Center for Consumer Information and Insurance Oversight (CCIIO); AL BINGHAM, Office of Special Initiatives and Pricing, CCIIO; JEFF WU, Payment Policy and Financial Management Group, CCIIO

Moderator: TOM WILDSMITH, President-elect designee, American Academy of Actuaries

▶ Latest Developments for Rate Review Requirements

Panelists: DOUG PENNINGTON, Oversight Group, CCIIO; DENNIS K. YU, Oversight Group, CCIIO; DAVID A. SHEA, Jr., Vice President, Health Practice Council, American Academy of Actuaries

Moderator: AUDREY L. HALVORSON, Chairperson, Rate Review Practice Note Work Group, American Academy of Actuaries

▶ The Outlook from Capitol Hill

Panelists: BRETT BAKER, Professional Staff Member, House Ways and Means Subcommittee on Health; ALICIA HENNIE, Health Policy Advisor, Senate Health, Education, Labor, and Pensions Committee; DIANA MEREDITH, Professional Staff Member, House Budget Committee; WENDELL PRIMUS, Senior Policy Advisor, Office of House Minority Leader

Moderator: CATHERINE MURPHY-BARRON, Incoming Vice President, Health Practice Council, American Academy of Actuaries

Implementation of the Affordable Care Act (ACA) continues to be a high priority for the profession, as well as policymakers and regulators, and staying up to date on the current regulatory environment is crucial. At the same time, it is important to look forward at what issues may be next on the legislative agenda for health care policy. The breakout health sessions at the Annual Meeting addressed both those topics.

Brett Baker from the House Ways and Means Subcommittee on Health speaks at "The Outlook from Capitol Hill." Other panelists from left to right: Catherine Murphy-Barron, vice president of the Health Practice Council; Alicia Hennie, health policy adviser for the Senate Health, Education, Labor, and Pensions Committee; Diana Meredith, House Budget Committee staff; and Wendell Primus, senior policy adviser, Office of the House Minority Leader.

In the sessions on the ACA risk-sharing mechanisms (i.e., the 3Rs), the actuarial value (AV) calculator, and the rate review requirements, experts from the Center for Consumer Information and Insurance Oversight (CCIIO) walked attendees through the current regulatory environment on each of the provisions, and in some cases, provided an overview of new changes that could be expected. For example, during the session on benefit and payment parameters, panelists offered attendees a look at newly announced proposed updates to the AV calculator, including adjustments to the maximum out of pocket, updates on the enrollment data used, updates for claims data and trend factors, and changes to improve the user interface. After the presentations, there was a discussion on common issues seen in rate filings to date as identified by federal and state reviewers.

But what's next? That's the question attendees heard discussed by congressional staff during the breakout session on the outlook for legislative action on health care issues in the next Congress. Fresh off the midterm elections, panelists provided their predictions about what issues Congress will likely take up in the next couple of years. Acknowledging that there would likely be some efforts to repeal and/or replace aspects of the ACA, speakers also raised other issues that might find their way onto the congressional agenda, including Medicare, specifically the sustainable growth rate and premium support reforms; long-term care; electronic health records; comprehensive tax reform; health care cost growth; and the Cadillac plan tax.

PENSION

▶ Retirement for the AGES

Panelists: ROWLAND DAVIS, Center for American Progress; HANK KIM, National Conference on Public Employee Retirement Systems; ERIC KEENER, Pension Accounting Committee, American Academy of Actuaries

Moderator: DON FUERST, Senior Pension Fellow, American Academy of Actuaries

▶ Multiemployer Plan Reform

Panelists: CHRISTOPHER M. BONE, Policy, Research, and Analysis Department, Pension Benefit Guaranty Corporation (PBGC); RANDY DEFREHN, National Coordinating Committee for Multiemployer Plans; JEAN-PIERRE AUBRY, Center for Retirement Research, Boston College

Moderator: ELI GREENBLUM, Vice President, Pension Practice Council, American Academy of Actuaries

Pension actuaries, or actuaries interested in retirement issues in general, had an opportunity to hear from a variety of policy experts on retirement income security, multiemployer pension reform, and public plan challenges (in a featured plenary session) during the Academy's Annual Meeting and Public Policy Forum.

In the breakout session on the Academy's initiative, "Retirement for the AGES," the Academy released its first assessments of retirement plans and systems and offered attendees a chance to hear about several proposals to increase the availability of retirement plans for workers to help them secure additional income for retirement. After illustrating its "Retirement for the AGES" framework, a panelist representing the Forward Thinking Task Force discussed several retirement systems and proposals based on how they met the goals of alignment, governance, efficiency, and sustainability. In addition, attendees heard from representatives of several other plans including the Center for American Progress' SAFE Retirement Plan and the National Conference on Public Employee Retirement Systems' Secure Choice Pensions.

Hank Kim, executive director and counsel, National Conference on Public Employee Retirement Systems, speaks at the breakout panel, "Retirement for the AGES."

For those interested in multiemployer pension reform, panelists in that breakout session discussed the solvency issues surrounding the Pension Benefit Guaranty Corporation's (PBGC) multiemployer plan program and efforts to reform the program. Multiemployer plans overseen by the PBGC cover about 10.4 million workers, and the program has a 75 percent chance of insolvency by 2023 without reforms. Attendees heard about a proposal from the National Coordinating Committee for Multiemployer Plans to change contribution and benefit levels for troubled multiemployer plans; the committee also is seeking more flexibility on new plan designs such as variable defined benefit and composite benefit plans in order to retain existing employers and attract new ones, according to panelists.

▲ Immediate Past President Tom Terry presents the Presidential Medal to incoming President Mary D. Miller.

▼ Political satirist Mark Russell performs for attendees.

▲ Past President Cecil Bykerk poses a question to Secretary Sebelius following her opening keynote speech.

▶ Mary D. Miller delivers her opening remarks as the Academy's 50th president.

▼ Attendees gather for lunch during the first day of the Annual Meeting.

The Actuarial Profession is Taking an Active Role in this National Discourse

State and local government-sponsored pension plans are reported to be in crisis, with many facing a gap between asset values and projected liabilities that has led to continued increases in the actuarially required contribution levels needed to help sustain pension plans—and all this at the same time state and local governments face other fiscal pressures.

Frank Todisco, chief actuary for the U.S. Government Accountability Office (GAO), presents during the panel discussion "Public-Sector Pension Plans Plenary."

The status of these important programs is a major concern for the millions of public-sector workers, retirees, and family members who are beneficiaries of those plans, as well as the current and future taxpayers who share in the financial burden of providing those benefits.

Against that backdrop, a panel of experts gathered to update members on what is being done to address the status of state and local pension funding in a plenary session at the Academy's Annual Meeting and Public Policy Forum in November.

Stephen Gauthier, director of technical services for the Government Finance Officers Association, walked attendees through the history of statements from the National Council on Governmental Accounting, and, later, the Government Accounting Standards Board, governing public disclosures and how governments determine their expenses for public pension plans.

Matt Smith, Washington state actuary, gave the history of that state's public plans, which have evolved from traditional defined benefit plans to a hybrid structure, with funding and benefits policy set directly by the legislature. Summarizing the lessons learned in the shift, Smith noted that the first generation of plans have been replaced with plans that have later retirement ages, and that the legislature repealed some benefit improvements after the 2008 recession.

Frank Todisco, a former Academy fellow and current member of the Actuarial Standards Board, serves as U.S. Government Accountability Office (GAO) chief actuary. Todisco summarized recent GAO reports on the state and local government pension market, and discussed a 2014 study that explored how the problem has been handled by several other industrialized nations.

He noted that all of the other countries assumed a lower rate of return than was typical in the U.S., and had greater regulatory oversight at the national level.

Melissa Moye, a senior policy adviser with the Treasury Department's Office of State and Local Finance, explained that her office, created just last year, provides analysis and coordination on federal policies that impact state and local finance, but does not directly regulate pensions.

Moye noted that her office "has a keen interest in state and local governments being able to fund debt and retirement obligations while continuing to provide critical health, safety, education, infrastructure and economic development programs to their residents."

As they consider their approach, Moye said, her office is interested in Academy members' perspective on questions like "how can risk be better measured and communicated to public plan stakeholders? Since all retirement plans—including [defined contribution] plans—are subject to risk, how can the degree and elements of risk be communicated to facilitate better decision-making and provide more reliable information to the public?"

Dear Academy Members,

I AM HONORED to serve as the 50th president of the American Academy of Actuaries and to usher in the 50th anniversary of the Academy in 2015.

As you know, the Academy applies thoughtful attention to public policy issues that can benefit from an actuarial perspective. As a broad-based membership organization encompassing all practice areas, the Academy looks for trends that are occurring in specific areas but also trends that may transcend individual practice areas in order to examine their implications, and consider how actuaries can make a difference on such issues within the public policy arena.

Through our Strategic Planning Committee's thoughtful work, we have undertaken a strategic focus on several initiatives. We have begun working with the White House Conference on Aging as they initiate their decennial conference on aging, where we hope to provide sound advice and build on our *Retirement for the AGES* initiative. Our Summer Summit discussions in July identified areas of cross-practice cooperation that will support sound public policy not only for Social Security and Medicare, but also for lifetime income and long-term care for an aging population. We can also include consideration of the ramifications of an aging infrastructure from both a property and a liability perspective.

A second area of focus in the coming year will be on continuing to strengthen and deepen our relationships with regulators. As some of you know, we are working with the *National Association of Insurance Commissioners* on a template that will offer actuaries a straightforward, voluntary way to document their qualifications to issue statutory statements of actuarial opinion. This can have significant benefits for us as actuaries, as well as the regulators and the public who rely upon us. There is also significant work going on to support the implementation of Principle Based Reserving and the Affordable Care Act. In addition, we recently participated in a regulator-sponsored climate change summit where we interacted with climate scientists and data scientists at their request to find common ground with actuaries.

Professionalism is a third area of focus. We are in the early stages of developing a robust learning management system to ensure that all our members have the tools and systems they need to attain the highest standards of professionalism. We are very excited about the possibilities for its future development. We will also be reviewing our standards for membership because, as your national organization, we have a responsibility to the public to say that membership in the Academy means you have familiarity with the knowledge and experience needed to be a practicing actuary in the United States.

Finally, I'd like to urge you to make plans to attend the 2015 Annual Meeting and Public Policy Meeting, to be held November 12–13 in Washington. The Academy is doing important work in public policy and professionalism in a manner and with a depth that demonstrates the actuarial profession's commitment to benefiting society, and the 2014 annual meeting showed how that work is being used by policymakers and regulators.

I want to again express my thanks to you as we move forward on these important initiatives—you have my deep gratitude for all the work you do. Each one of us represents our profession in our own individual work and each one of us becomes a force for the greater good when we work together through the Academy. As we embark on our 50th year, I encourage you to keep up the great work you are doing and I look forward to our celebration next year.

Yours sincerely,

MARY D. MILLER PRESIDENT, AMERICAN ACADEMY OF ACTUARIES

OUR MISSION

AMERICAN ACADEMY *of* ACTUARIES

The American Academy of Actuaries' mission is to serve the public and the United States actuarial profession.

To accomplish this:

- As the public voice for the United States actuarial profession, the Academy provides independent and objective actuarial information, analysis, and education for the formation of sound public policy;
- The Academy provides for the establishment, maintenance, and enforcement of high professional standards of actuarial qualification, practice, and conduct;
- The Academy advances actuarial practice by informing and educating its members on public policy and professionalism issues and current and emerging practices;
- The Academy identifies and addresses issues on behalf of the public interest on matters in which actuarial science provides a unique understanding;
- The Academy increases the public's understanding and recognition of the value of the actuarial profession;
- The Academy provides opportunities for professional development of its members through volunteerism and service to the profession;
- The Academy facilitates and coordinates response to issues of common interest among the U.S.-based actuarial associations; and
- The Academy coordinates the representation of the U.S. profession globally.

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