

EAR

BY THE BOOK

Writing an Actuarial Valuation Report

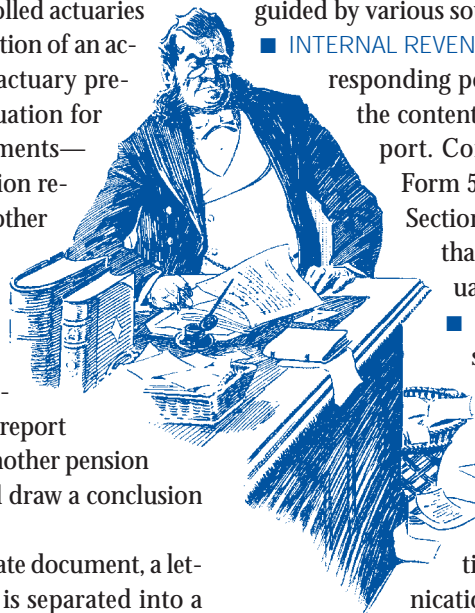
BY BRUCE GAFFNEY

ONE OF THE MANY DUTIES that enrolled actuaries face on a regular basis is the preparation of an actuarial valuation report. In it the actuary presents the results of his or her actuarial valuation for purposes of determining funding requirements—including a determination of the contribution requirements, the basis for the valuation, and other pertinent information.

The report should communicate valuation results to the client (or other user), presenting enough information and explanation that the results will be properly applied and interpreted. At the same time, the report should provide sufficient information for another pension actuary to analyze the valuation results and draw a conclusion as to their accuracy and reasonableness.

The report may take the form of a separate document, a letter, or a series of exhibits. Often, a report is separated into a client-friendly executive summary followed by more detailed technical information.

When preparing his or her report, the enrolled actuary is



guided by various sources:

- **INTERNAL REVENUE CODE SECTION 6059** (along with corresponding portions of ERISA Section 103) specifies the content of the statutorily required actuarial report. Completing and filing Schedule B of IRS Form 5500 satisfies this requirement. However, Section 6059 highlights important information that should be included in the actuarial valuation report.

- **INTERPRETATIVE OPINION 3** ("Professional Communications of Actuaries") provides guidance on written communications by actuaries about actuarial matters (the Actuarial Standards Board has also issued a discussion draft of a proposed actuarial standard of practice [ASOP] entitled "Actuarial Communications" that will—when finalized—replace Opinion 3.)

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ISO A Better Pension Commission Plan

A CONGRESSIONAL PROPOSAL to establish a national commission on pension reform and simplification is good—but could be even better. That is the gist of a letter sent by the Academy to Sen. Jeff Bingaman (D-N.M.), principal sponsor of the legislation.

Under Bingaman's bill, introduced in July, a bipartisan commission of experts would be assigned to study strengths and weaknesses in the regulation of the private pension system, review and assess federal statutes regulating private pensions, and recommend changes in regulations that, among other things, expand pension coverage.

All well and good. But the Academy's letter, signed by James Turpin, vice president for pensions, says the commission could be even more

effective with a few changes.

These include requiring that Congress vote on commission recommendations, shortening the time period allowed for the commission to complete its work from 24 months to between 12 and 18 months, and ensuring that any examination of private pension changes takes into account the effect on national programs such as Social Security.

The letter thanks Bingaman for recognizing the unique role that actuaries should play in such a commission. Bingaman submitted the Academy's letter into the *Congressional Record* upon introduction of his bill. The legislation has been referred to the Senate Committee on Health, Education, Labor and Pensions for further action. Bingaman is a member of the committee. ▲

Pension Committee Comments on AICPA Standard

IN A RECENT LETTER to the American Institute of Certified Public Accountants (AICPA), the Academy's Pension Accounting Committee commented on proposed amendments to AICPA SOP 92-6.

The committee, chaired by James Verlautz, agreed with AICPA that the use of net vs. gross obligations is an issue that needs to be settled, but argued that the net postretirement benefit obligation is far more important than the gross obligation.

The committee's argument is based, in part, on the belief that any plan is, by definition, an obligation to plan participants and that to indicate that a plan's obligations include amounts that participants will pay seems to contradict the entire nature of the plan.

"We understand that in many cases, the participants are paying their contribution to the plan, rather than directly to the health care providers," the letter says. "However, under the common actuarial methodology, amounts paid to the health care providers are assumed to be coincident with the date of employee contri-

butions, and in many cases may never be deposited in the trust."

Additionally, because the cost of postretirement benefits is typically shared by employers, employees, and Medicare, two employers may provide identical total benefits but may allocate the employees' cost-sharing differently among the three choices, showing the same gross amounts but having significantly different net costs to the employer—which could be considered misleading. At the same time, the committee said, the gross liability does not seem to recognize the true nature of the employer/employee transaction, where the obligation exists only if an employee makes the contributions. Finally, the advantages of showing gross liabilities don't seem to justify the additional costs necessary to obtain the required disclosures, and the additional cost of calculating gross liability in multiemployer plans is likely to be met by reduced employee benefits, the committee said.

To read the letter, log onto the Academy's website at www.actuary.org/pub/actuary.org/statement00/aicpaltr.pdf. ▲

RP 2K: GOOD TO GO

AT ITS SPRING MEETING, the Society of Actuaries (SOA) accepted and approved for distribution its Retirement Plan (RP) 2000 Tables.

These new graduated basic amount-adjusted mortality tables projected to the year 2000 were developed to ensure that the Treasury Department would have the most thorough information available

when it considers updating the current liability mortality table. When Congress passed the Retirement Protection Act (RPA) of 1994, the Internal Revenue Code was amended to allow the secretary of the treasury to prescribe for plan years beginning after Dec. 31, 1999, using mortality tables based upon the actual experience of pension plans and projected trends utilizing that experience.

The SOA RP 2000 Tables reflect near-

ly 11 million life-years of exposure and more than 190,000 deaths. The study data, which are for plan years 1990 through 1994 and are of sufficient volume to produce valid mortality rates, are from more than 100 uninsured pension plans subject to the RPA current-liability rules.

The Academy plans a strong role in encouraging the Treasury Department to adopt these tables. ▲



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Enrolled Actuaries Report

EDITOR

James E. Turpin

CONTRIBUTING EDITORS

Bruce Gaffney
Ron Gebhardtshauer
James A. Kenney
Adrien R. LaBombarde
Diane Storm

MANAGING EDITOR

Linda Mallon
editor@actuary.org

PRODUCTION ASSISTANT

LaShawn Taylor

PUBLICATION DESIGN AND PRODUCTION

BonoTom Studios, Inc.

American Academy of Actuaries

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Stephen R. Kern

PRESIDENT-ELECT

Lawrence A. Johansen

SECRETARY-TREASURER

James F. Reiskytl

VICE PRESIDENTS

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EXECUTIVE DIRECTOR

Richard C. Lawson

ASSISTANT DIRECTOR FOR PUBLICATIONS

Steven F. Sullivan

MANAGING EDITOR, NEW MEDIA AND MEMBER PUBLICATIONS

Anne Richardson

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Navigating Professional Responsibilities

BY ROBERT RIETZ

AS A LAWYER ACTING PROFESSIONALLY when his guilty client is acquitted? What, if any, are the limits to legal advocacy? Does the actuarial profession have any limits to advocacy for our clients? If it doesn't, should there be limits on actuarial advocacy?

The actuarial profession is guided by the Code of Professional Conduct and has many actuarial standards of practice (ASOPs) that support the code. The standards provide detailed guidance to actuaries by defining professional practice for particular functions. The code addresses the relationship between the actuary and his or her client, as well as the relationship between the actuary and indirect users of the actuary's work product. However, no standard provides detailed guidance for this relationship, analogous to ASOPs for specific practice situations.

I maintain that the profession needs a standard to guide actuaries in our relationships with clients.

I believe that while we have a responsibility to our clients, it is not absolute. At times we also have a responsibility to affected third parties. A tension exists between these two sometimes-conflicting responsibilities, and I believe an ASOP is necessary to guide actuaries as they navigate between Scylla and Charybdis.

Two recent examples may illustrate this need: the cash balance controversy and ASOP 34, *Actuarial Practice Concerning Retirement Plan Benefits in Domestic Relations Actions*.

Pension actuaries wear many hats and perform many functions for their clients. On the one hand, an actuary signs the Schedule B and is retained by the plan sponsor for this purpose on behalf of the plan participants. On the other hand, the same actuary may consult with the plan sponsor on plan design, compliance, participant communication, administration, funding, and investments, and is retained for these purposes by the plan sponsor. When we consult with the plan sponsor regarding prospective benefit reductions or plan termination, we know these discussions may affect plan participants. Very few actuaries, if any, would argue that prospective benefit reduction or plan termination consulting places the actuary in a conflict of interest between the plan sponsor and the plan participants.

However, having decided to reduce prospective benefits, the plan sponsor now needs to communicate this change to plan participants. Clearly, actuaries are well qualified to consult with the plan sponsor about the potential impact on plan participants. Indeed, this should have been one of the topics discussed when the sponsor was in the process of deciding whether to reduce prospective benefits. (For the sake of argument, let's set aside the perception that actuaries can't communicate. The issue is not the

manner or effectiveness of communication but rather the intent and content of participant communication.)

What is the actuary's role when discussing communication of plan changes? Does the answer depend on whether the actuary discussing communication is the same actuary who signs the Schedule B? If so, then a plan sponsor could avoid any potential conflict of interest by retaining separate actuaries for the two different assignments. This choice avoids the issue of whether an actuary, regardless of the hat he or she is wearing, has a responsibility to anyone beyond the client.

A great variety of actuarial practices have developed around qualified domestic relations orders (QDROs). Assumptions may or may not be disclosed; the report might just as well have been issued from Mt. Actuaris. Some actuaries take an extreme advocacy position for their clients and use overly liberal (or conservative) assumptions or ignore (or overstate) early retirement subsidies. Other actuaries might use different assumptions or methods depending on whether they are representing the employee or the spouse. How does the profession appear to the public when an actuary testifies in the same courtroom that an 8 percent interest rate is his best estimate for today's QDRO, but 6 percent was his best estimate for yesterday's QDRO?

I suggest that actuarial practice in these two areas has changed substantially over the last two years. In each example, actuaries believed (I hope!) that they were acting professionally by taking an advocacy position without regard to the impact on affected third parties. More recent events have indicated some of these behaviors need to change. The profession recognizes that boundaries need to be placed around particular practice activities. The primary issue in these examples is not cash balance consulting or QDRO consulting, but whether or not an actuary's responsibility to his or her client is absolute. I believe these two examples are merely symptoms of an underlying issue that requires a new standard. What do you think?



I believe that while we have a responsibility to our clients, it is not absolute. At times we also have a responsibility to affected third parties.

ROBERT RIETZ is an actuary with Blue Cross /Blue Shield of Michigan and president-elect of the Conference of Consulting Actuaries.

Valuation Report, *continued from Page 1*

■ **THE ASOPS THAT APPLY TO PENSION ACTUARIES**—including ASOP 4 (on measurement of pension obligations), ASOP 23 (on data quality), ASOP 27 (on the selection of economic assumptions), and ASOP 35 (on the selection of non-economic assumptions)—often specify disclosure requirements relative to aspects of the actuarial valuation.

The box (below) contains a comprehensive list of information to be included in an actuarial valuation report. The valuation report should also include the following information and disclosure when appropriate:

- The actuary should disclose any long-term cost trends (both increasing or decreasing) expected to result from continued use of the present assumptions or methods.
- The actuary should disclose any facts that, if not disclosed, might lead to an incomplete understanding of the valuation results.
- The actuary should disclose any significant events (of which

he or she is aware) occurring *after* the valuation date that would materially affect the valuation results.

- The actuary should disclose the nature, rationale, and effect of deviation from any relevant actuarial standard of practice.
- The actuary should disclose any instance in which his or her work has *not* fully reflected any regulation or other IRS promulgation.

Finally, the valuation report should include the actuary's certification that, to the best of his or her knowledge, the report is complete and accurate and the assumptions used are reasonable and represent the actuary's best estimate of anticipated experience under the plan. The report should also include any additional information necessary to fully and fairly disclose the actuarial position of the plan.

BRUCE GAFFNEY is a consulting actuary with Ropes & Gray in Boston.

Information to Include in an Actuarial Valuation Report

- ▶ **The name of the pension plan and plan sponsor.**
- ▶ **The valuation date and the plan year to which the valuation applies.**
- ▶ **The name of the actuary (or actuaries) who performed the valuation.**
- ▶ **Actuarial valuation results, as applicable, including:**
 - Normal cost
 - Present value of future benefits
 - Actuarial accrued liability
 - Valuation assets
 - Unfunded actuarial accrued liability
 - RPA '94 and OBRA '87 current liability and normal cost
 - Calculation of the actuarial gain or loss for the prior plan year
 - Determination of the minimum funding requirement
 - Determination of the maximum deductible amount, including outstanding charge and credit bases
 - Determination of the customary funding contribution (if any)
 - Funding Standard Account, including outstanding charge and credit bases
 - Determination of the full funding limitation
 - Determination of the deficit reduction contribution
 - Deficit reduction contribution charge and credit bases.
- ▶ **Assumptions and methods, including:**
 - A description of the actuarial cost method, asset valuation method, and actuarial assumptions (including prescribed assumptions)
 - A description of any changes in methods or assumptions since the prior valuation, the reason for such change, and the effect of the change
 - The source of any prescribed assumptions.
- ▶ **Participant data, including:**
 - The number of participants in significant categories (such as active participants, retirees, former participants with vested deferred benefits, etc.)
 - Other relevant statistics (such as average age, average service, pay breakdowns, or benefit levels)
 - Reconciliation with the data used in the prior valuation
 - The source of the participant data
 - The date as of which the data was compiled
 - Any missing or incomplete data, as well as any adjustments or modifications made to account for imperfect data.
- ▶ **Financial information, including:**
 - A breakdown of assets by investment category
 - Reconciliation with the assets reflected in the prior valuation (including the amount of any employer contributions and the dates deposited)
 - The derivation of valuation assets
 - The investment return for the prior plan year
 - The source of the asset information
 - The date as of which this information was compiled
 - Any missing or incomplete information, as well as any adjustments or modifications made to account for missing items.
- ▶ **A summary of the plan provisions, including a description of any significant benefits *not* included in the valuation and a description of any changes since the prior valuation.**
- ▶ **Financial Accounting Standard 35 audit information (not *required* but often included):**
 - Present value of accumulated plan benefits, broken down into participant categories
 - A reconciliation with the present value of accumulated plan benefits from the prior valuation.

Academy Roll Call

AS AN ENROLLED ACTUARY MYSELF, I take a special interest in encouraging other actuaries who have received their credentials through the enrollment examinations to join the Academy.

As important as certification and training are, today's actuaries need more than that to be recognized as true professionals. This is where the Academy comes in. Actuaries from all specialties rely on the Academy to establish and uphold the highest standards of professional conduct, keep members cognizant of

new standards of practice, and represent the profession before Congress and other governmental branches.

I am happy to report that 144 enrolled actuaries agree and have become members of the Academy since the beginning of the year. By joining the Academy, these new members have demonstrated a desire to stay on top of key policy debates that demand their expertise.

I would like to extend a special welcome to the following enrolled actuaries who have joined us as Academy members.

—Steve Kern

S. Aquil Ahmed	Dawn Epping	Annette James	Bruce Monte Jr.	Jason Speer
Kathleen Arendt	Joseph Epstein	Bret Johantgen	Andrzej Niewiadomski	Linda Steele
Jonathan Barry	Richard Erickson	Lloyd Katz	Leslie Olds	Mark Stewart
David Batten	Brian Evitts	Christopher Keach	Rosemarie Pastore	Michael Sudduth
Joseph Belger	Helen Fath	Ivy Kessler	Richard Pavley	Mark Swanson
Mark Bierman	Juanita Fernandez	Karen Kinol	Andrew Peterson	Joseph Sylvester
Kay Ann Blaszczyk	Thomas Fields	Beth Kirk Malecki	Fred Peterson	Micki Rudder Taylor
Philip Bonanno	Michael Fuchs	Eric Klis	Lorraine Powers	Raymond Thomas
Mark Bonsall	Marcus Gale	Christopher Kludy	Robert Price Jr.	Christine Tozzi
Sonja Borsari	James Gansz Jr.	Regina Krejsa	Stephen Pujol	Derek Tse
Kelly Branham	Richard Giberson	Matthew Kropp	Mitzi Pummer	Trista Tyson
Ann Bremehr	Sabrina Gibson	David Kuhn	Debra Pynchon	Julie Van Meir
James Brown	David Godofsky	Werner Kuhn	Michael Ribble	Thomas Vaught
Anthony Buonato	Brian Goldberg	JoAnn Lanzetta	Mark Rich	Christian Veenstra
Matthew Canelli	Stacey Goldstein	Judith Large	Rachel Robinson	Alice Wade
Vince Cassano	Eric Grant	Carl Larouche	Cynthia Rudnicki	Jeanette Wagner
Colin Cassidy	Charles Green	Marie Larsen	M.R. Rust	Andrew Walinsky
Mona Choi	John Hall	Joel Leary	Bradley Rybak	James Warner
Seth Chosak	William Hallmark	Melanie Litke	E. Mark Schell	Diane Wasser
Thomas Cliffel	Erica Harper	Vincent Lui	Jean Schumacher	Eric Weeks
Paul Coleman	David Harris	Suzanne Makshanoff	Maryann Scott	Michael Whelchel
Isabelle-Aubert Cote	Paula Hauck	Michael Marks	Scott Sheridan	John Whitaker
Charles Day III	Joel Haynsworth	John Markson	Douglas Short	Paul Wilkinson
Edward DeLuryea	Joseph Hicks Jr.	Therese Marske	Kathleen Shrader	Robert Wilkowski
Lynda Dennen	David Hilko	Francois Martel	Wendy Siegal	James Winer
Peter Dorsey	James Holland Jr.	Robert McBride	Matthew Siegel	John Woyke
Michael Durbala	Minsun Hong	Terry McFadden	Karen Skoglund	Stephen Wyatt
Randall Dziubek	Michael Hunter	Tamson Milton	Robert Snyder	Anita Zlatev
Kathleen Hilden Eichner	Robert Jablonowski	Steven Mink	Rennae Sovia	

CASH BALANCE LEGISLATION IN SUMMER SIMMER

RON GEBHARDTSBAUER, the Academy's senior pension fellow, met several times with congressional staff this summer, providing the Academy's response to possible legislation concerning cash-balance-pension-plan conversions.

In meetings with the staff of Sen. Tom Harkin (D-Iowa) and Rep. Rob Andrews (D-N.J.), Gebhardtsbauer offered detailed comments on proposed cash balance conversion legislation being drafted by the two lawmakers. Gebhardtsbauer's comments, which were reviewed by the Pension Practice Council, amplified a letter he sent to Harkin and Andrews, at their request,

comparing projected benefits under a traditional defined benefit plan and two versions of a Harkin plan that would mandate minimum benefit levels in plan conversions and prohibit "wear-away" (a benefit accrual plateau).

To read Gebhardtsbauer's letter, log onto www.actuary.org/pub/actuary.org/statement00/harkinltr.pdf.

Gebhardtsbauer and David Rivera, the Academy's assistant director of public policy, also met with staff of Sen. Ron Wyden (D-Oregon) to discuss Wyden's call for increased disclosure in cash balance conversions, including more personalized benefit statements. ▲

The Social Security Speaker's Kit: Just the Facts, Ma'am

AS THE NOVEMBER ELECTIONS APPROACH, Social Security is taking center stage as a hot issue. Maybe you've heard folks talking about it who didn't have the facts right. Maybe you've seen a political ad or two that struck you as a little overheated. And maybe you'd like to help people in your community cut through some of the rhetoric—if only there were a good way to do it.

Now there is.

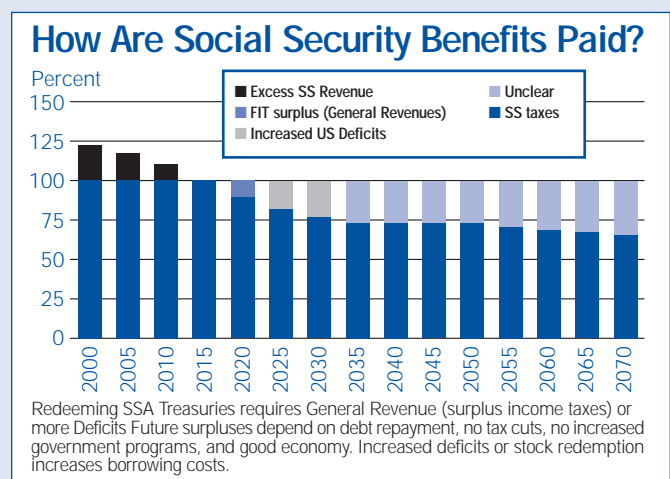
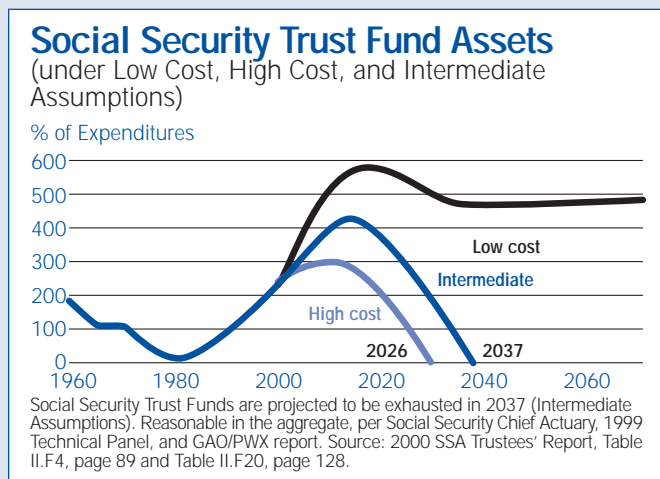
The Academy's Social Security speaker's kit has been designed with you in mind. Its purpose is to help actuaries deliver objective information about Social Security and Social Security reform proposals to community groups, such as local chambers of commerce and other civic organizations.

The kit is based on talks that Academy Senior Pension Fel-

low Ron Gebhardtbauer, one of the nation's leading experts on retirement issues, has given at congressionally sponsored town hall forums around the nation. The speaker's kit includes:

- ▶ A sample speech that you can customize into one, two, or three speeches on these subjects: How Social Security Works, Social Security's Long-Range Financial Problem, and the Pros and Cons of Reform Proposals.
- ▶ A large collection of PowerPoint slides that you can show during your presentation (see samples below).
- ▶ Sample audience handouts.

Want to find out more? Check out the speaker's kit at www.actuary.org/socsec_speakers.htm. Remember, it's designed for community-level presentations. If you're planning to make a speech on Social Security that could get state or national me-



PBGC Issues Technical Update 00-4

THE PBGC recently issued a technical update explaining how the full funding limit exemption from the PBGC's variable rate premium (VRP) works in light of a change in the full funding limitation of IRC Section 412(c)(7).

The Retirement Protection Act of 1994 changed Section 412(c)(7) by adding a 90 percent override to the full funding limitation. The override provides that the full funding limitation is not less than the excess, if any, of 90 percent of a pension plan's current liability over the actuarial value of the plan's assets.

The PBGC issued Technical Update 00-4 in response to inquiries about the proper treatment of credit balances in applying the 90 percent override to its full funding limit exemption.

The update clarifies what the correct result is under the statutory and regulatory framework of Title IV of ERISA.

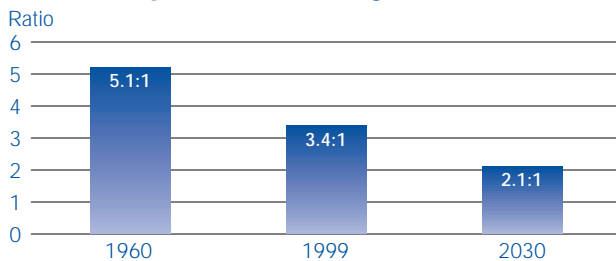
The guidance is effective for plan years beginning after Dec. 31, 1995, and will have no effect on the vast majority of plans for which a VRP was paid. According to the PBGC, it has found only 100 to 200 plans since 1996 where a VRP may have been paid solely as a result of applying the exemption incorrectly. ▲

Technical Update 00-4 is available on the PBGC's website at www.pbgc.gov/legal_info/tech_updates/tech00-4.htm. For more information, contact Jane Pacelli of PBGC at (202)326-4080, Ext. 6775, or by e-mail at pacelli.jane@pbgc.gov.

dia attention, please contact Jeffrey Speicher, the Academy's assistant director for media relations (speicher@actuary.org, 202-223-8196), ahead of time so he can help.

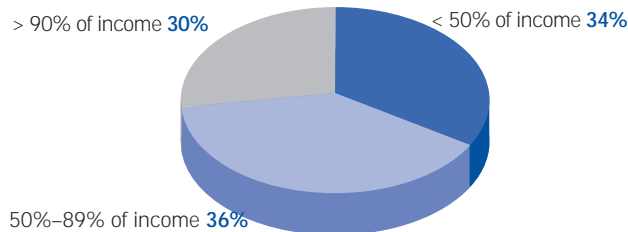
And if you're still torn about making a presentation to a local group, keep this in mind: The public can't be expected to make good decisions about Social Security reform in the absence of good, unbiased information. That, of course, is where you can make a difference. ▲

Workers per Beneficiary



The number of workers supporting beneficiaries decreases dramatically due to baby boomers and longer lifespans. Source: 2000 SSA Trustees' Report, Table IIF19, p 122.

Social Security Income as Percentage of Total Income for Retirees



A large portion of retirees depend on Social Security as a large percentage of their income. Source: Social Security: Income of the Aged Chartbook (1996)

Academy Releases Guide on Social Security

Seeking to clear the air in the ongoing debate over Social Security's financial future, the Academy has published a short explanatory guide for laymen, *Questions & Answers About Social Security's Financial Condition*.

Initially distributed to congressional staff and other policy-makers, the guide clarifies a number of the issues that have surfaced since the Social Security Administration released its 2000 annual report on the program's financial condition. In that report, the Social Security trustees estimated that Social Security's trust funds would be solvent until 2037.

The release of the annual report did nothing to still continuing debate about Social Security's fiscal situation. Proponents of Social Security reform argued the program was in far worse shape than trustees would admit. Reform opponents countered by claiming that projections were more pessimistic than they needed to be.

The Academy's guide includes a brief report of key findings of the 2000 trustees report, a discussion of why the trustees' projections are controversial, a delineation of changes to the trustees' assumptions recommended by a 1999 technical panel, and a log of technical panel recommendations that were adopted by the trustees for the 2000 report.

The Academy's Social Insurance Committee, chaired by Bruce Schobel, wrote the guide. For a copy, go to the Academy's website at www.actuary.org/questions.htm. ▲

Much Ado About Nothing

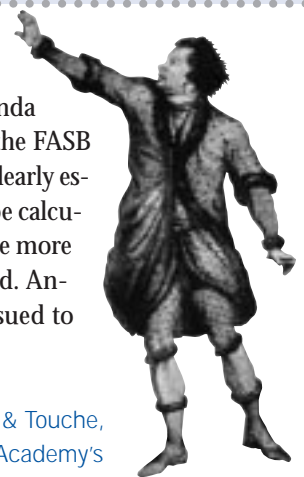
BY JAMES VERLAUTZ

ARGUMENT HAS BEEN PERCOLATING RECENTLY about a purported change to how pension expense is calculated under FAS 87.

The issue is this: FAS 132 amended pension plan disclosure requirements but did not specifically amend all of the applicable paragraphs of FAS 87. FAS 135 was then issued to clarify which paragraphs of FAS 87 (and other statements) should be amended. However, one of the technical corrections in FAS 135 affected language dealing with how pension expense is calculated. As a result, a literal reading of FAS 135 could lead to the conclusion that pension expense should now be calculated using actual return rather than expected return.

Resolving the confusion over how to interpret FAS 135 was on the agenda of the emerging issues task force of the FASB in July. The minutes of that meeting clearly establish that pension expense should be calculated as it always has been and that the more literal interpretation was unintended. Another technical correction will be issued to clarify the matter in the near future.

James Verlautz is a director of Deloitte & Touche, LLP, in Minneapolis, a member of the Academy's Pension Practice Council, and chairperson of the Committee on Pension Accounting.



LETTER TO THE EDITOR

IN THE PUBLIC INTEREST?

I am not sure if the notice (in box below) composed by the five sponsoring actuarial organizations appearing on Page 3 of the Spring 2000 issue of the EAR was serious or a tongue-in-cheek effort to sanitize our profession's appearance before the public.

As an actuary working with qualified retirement plans since 1982, I am beginning to disagree with the statement appearing in that advertisement that "actuaries work in the public interest."

Currently on my desk, I have three small defined-benefit plans (200 to 800 participants) which are severely underfunded on a termination basis. The plan sponsors in each case were "shocked" at this since they had been advised by their prior actuaries that the plans were "well funded and no contributions were required to meet ongoing minimum funding requirements."

Over the past 18 years, I have been disheartened time and time again by knee-jerk reactions by my peers with their "I can



do that" response to plan-sponsor requests. How this will all end I am not sure. It is sad to see that as professionals, we actuaries do not possess the self-control and integrity to police our actions in such a manner that governmental control is not necessary.

Michael L. Pisula
Pittsburgh, Pa.

P.S. Please note that the above comments are mine and do not represent those of my partners.

James Turpin replies: *As the editor of the EAR, I want to thank you for your thoughtful letter and encourage other enrolled actuaries to voice their views on subjects important to our profession. Part of the EAR's mission is to provide a forum for Academy members, so letters to the*

editor are welcome.

For readers who may be unaware of it, the ad you mentioned was published in Roll Call and the Hill, two papers widely read on Capitol Hill. In answer to your specific question, the ad is serious. It is part of our effort to inform Congress about the actuarial profession's commitment to high professional standards. The profession has worked diligently for more than 20 years to create and support a rigorous standards and discipline process through the work of the Actuarial Standards Board and the Actuarial Board for Counseling and Discipline and the adoption of a near-uniform Code of Professional Conduct for U.S. actuarial organizations.

In the absence of more information, it's impossible to comment specifically on previous actuarial work done for the three plans you mention. But if you believe that the work may have violated the Code of Professional Conduct or standards of practice, that's exactly what the discipline process is designed to handle, and you should submit your concerns to the ABCD for further review.

American Workers Deserve to Know

A Message about Pension Benefits from the U.S. Actuarial Profession

AS EXPERTS ON FUTURE COSTS, actuaries make sure that insurance and pension benefits will be there when we need them. As professionals, actuaries work in the public interest.

OVER THE PAST FEW MONTHS, the actuarial role in cash balance pension conversions has come under scrutiny. For the record, actuaries are bound by their code of professional conduct to act honestly and perform services with integrity and are subject to counseling and discipline when they fail to meet the code. Actuaries also believe that American workers should have access to meaningful information about their pension benefits.

EMPLOYEES SHOULD:

- ▲ Receive clear and understandable information about their pensions.
- ▲ Know if pension changes are expected to reduce future benefits.
- ▲ Be able to compare options and understand the consequences of their choices.
- ▲ Be able to request information about their specific situation.

WE STAND READY TO WORK WITH CONGRESS to ensure that workers obtain information to plan for a secure retirement and that America's successful, voluntary private pension system is strengthened.

For more information, contact:



American Academy of Actuaries
Rick Lawson, Executive Director
202-223-8196



American Society of Pension Actuaries
Brian Graff, Executive Director
703-516-9300



Casualty Actuarial Society



Conference of Consulting Actuaries



Society of Actuaries