EAR
ENROLLED ACTUARIES REPORT

The *Enrolled Actuaries Report* is a quarterly publication of the American Academy of Actuaries.
www.actuary.org

VOL.40 NO.1 SPRING 2016

EA Meeting Highlights Pension Actuarial Issues

THE ACADEMY JOINTLY HOSTED the annual Enrolled Actuaries (EA) Meeting in Washington this month with the Conference of Consulting Actuaries. The meeting was attended by more than 800 enrolled actuaries and pension professionals.

Academy President Tom Wildsmith gave an opening address, and Academy volunteers and staff—including Ken Kent, vice president of the Council on Professionalism; Ted Goldman, senior pension fellow; Brian Jackson, Actuarial Board for Counseling and Discipline staff attorney; and volunteers on the Actuarial Standards Board and its committees—participated in robust discussions and sessions.

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Academy President Tom Wildsmith addresses attendees at the start of the EA Meeting

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ASB Session Highlights Timeline of Public Pension Plan Study

MEMBERS OF THE ACTUARIAL STANDARDS BOARD'S (ASB) pension task force gave an overview at the EA Meeting of their work in identifying key issues for public pension plans and potential considerations for developing or revising actuarial standards of practice (ASOPs).

Frank Todisco, Alan Milligan, and Mita Drazilov, three of the four members of the task force, were the panelists. Todisco is also vice chairperson of the ASB, and all three members participated in last July's ASB public hearing in Washington on public plans, from which the task force drew many questions and items to consider going forward.

The task force is considering that input and is in the process of presenting it to the full ASB for consideration, the members said.

ASB Co-Chairperson Frank Todisco (left), presents at an EA Meeting panel with ASB Pension Task Force members Alan Milligan (center) and Mita Drazilov

The current process began back in July 2014, when the ASB issued a Request for Comments on issues regarding actuarial practice for public pension plans, including whether additional guidance is needed, whether there should be separate ASOPs for such plans, and whether the additional

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Senior Pension Fellow in the Spotlight

NEW ACADEMY Senior Pension Fellow Ted Goldman took the stage at two sessions at the EA Meeting, presenting the Academy's perspective on emerging pension matters to attendees.

Goldman and two other speakers in Session 103, "Getting Creative with a DC Plan," explored the current state of defined contribution plans and emerging ideas, and looked ahead with new ways to plan for retirement spending.

Rob Austin of Aon Hewitt opened the session with a discussion of the impact of plan design on a new hire, including how auto-enrollment, auto-escalation ceilings, employer matches, and plan fees affect retirement income.

The "DB-ing" of DC plans was the focus of Goldman's discussion. In his view, the four components of this concept are: Big Data, behavioral science, actuarial science, and technology. Noting that asking the average worker to plan for retirement is a "tough ask," Goldman posed the question, "Why can't we help people?"

Goldman's proposal consists of four parts:

- Plan sponsor/employee sets targets and assumptions;
- Auto-enrollment at the calculated personalized savings rate for each individual;
- Creation of a "glide path" to the target by monitoring performance and making automatic adjustments, when necessary, to the contribution rate; and
- During the decumulation phase, the employer sends a "paycheck" to the worker upon retirement with periodic adjustments.

Evan Inglis of Nuveen Asset Management—and a member of the Academy's Public Interest Committee—looked to the future with a proposal he calls "Feel Free" retirement spending. Calling the traditional "4 percent rule" outdated and noting that it often depletes savings by age 90, the Feel Free rule adapts to today's low-return environment and makes it "nearly impossible" to run out of money. It's also simple: You simply divide your age by 20 and "feel free" to spend that percentage of your savings. So, a retiree at a planning age of 65 can spend 3.25 percent of savings, which will last 30 years, until age 95. An 85-year-old can spend 4.25 percent and his savings will last another 23 years, to age 108.

Goldman

PENSION RISK TRANSFER

Another session, "Pension Risk Transfer from Different Perspectives," described as a "360 degree" view of the pension risk transfer process, included five panelists:

- Academy Senior Pension Fellow Ted Goldman
- Wayne Daniel, MetLife
- Ellen Kleinstuber, CBIZ Savitz, and chairperson of the Academy's Pension Committee
- Jim Shake, International Union, UAW
- Frank Todisco, Government Accountability Office

The panel focused on two primary activities: the transfer of risk from the plan sponsor to the individual (in the case of a lump sum payment) or to the insurer (in the case of an annuity purchase). Hence the term "pension risk transfer," or PRT.

Referencing the various stakeholders in the process, including plan sponsors, fiduciaries, participants, insurers, regulators, and advisers, the panel explored recent pension risk transfer activity, different catalysts for the current demand for PRT, and the differences between the various risk transfer options (lump sum payment, annuity purchase, and others).

Kleinstuber noted that pension risk transfer is a "complicated process that involves a lot of different players" and that "a lot of things have to line up and there are a lot of things to think through," concluding that actuaries have an important role to play. It was the consensus of the panel that actuaries need to be prepared for PRTs to continue and need to be ready to help facilitate the process.

Panels Address Ethics Issues at EA Meeting

SEVERAL PANELS at the EA Meeting looked at professional ethics, giving a number of hypothetical situations that actuaries may face, such as accepting gifts from prospective clients, or divulging information that should be kept confidential.

Some of the hypotheticals included offering small gifts, which may be seen as *de minimis*, and panelists and audience members alike in the interactive discussion noted the gray areas that can often come into play when making ethical decisions.

Ken Kent, vice president of the Council on Professionalism, was a panelist at one of the ethics sessions. A challenge in an ethical dilemma occurs when the urgency of a current situation causes you to rationalize doing something that later you realize you weren't comfortable with, he said.

"When we're talking about ethics, actuaries need to realize that it's a different topic than professionalism, in that ethics is about the quality of the decisions they make, and the rationalization in that process, versus the application of standards, or the Code [of Professional Conduct], or laws or regulations," Kent said in an interview with *EAR* after the session.

Ken Kent, vice president of the Council on Professionalism, participates in an ethics panel at the EA Meeting

"Truth is always the best medicine," said Marcia Wagner, a Boston-based ERISA attorney who, while not an actuary, referred to and spoke highly of the Code's precepts—particularly Precept 1, which states that "An Actuary shall act honestly, with integrity and competence."

"I think the precepts are pretty impressive," Wagner said in an interview following the session. "I think [they] encompass almost all ethical dilemmas that you can think of."

David Godofsky, with Alston & Bird, was a panelist at each of the two ethics sessions.

"You can't teach people to *be* ethical. You can only teach them *how to be* ethical, if they want to be," Godofsky said in an interview with *EAR* after the session. "This session deals with dilemmas. None of these things are very clear-cut. The starting point for that is to have a framework for thinking about it.

"There are a lot of things that companies do as part of their regular business practice that raise all sorts of ethical questions," he said. "So you have to start developing a framework where you say, 'What are the competing concerns here?'"

Panel Examines Alternative Pension Cost Recognition

AT A SESSION on alternative pension cost recognition, two panelists offered their perspective on alternative accounting methodologies that could have a significant impact on recognized levels of pension expense.

Several alternative approaches fall under the general header of "more granular" methodologies for pension expense calculations. Each involves re-determining service cost "more exactly" based on service cost-specific demographics.

However, there are three variations on how interest cost might be calculated:

- Apply individual forward rates applicable to each future time period to each year's projected cash flow;
- Apply individual spot rates applicable to each future time period to each year's projected cash flow; and
- Apply the first year spot/forward rate to each year's projected cash flow.

Panelist Art Conat, with Ernst & Young, cited the example of AT&T's 2014 10-K financial statements, in which that company identified a change in method to estimate service and interest cost beginning in the fourth quarter of 2014.

His presentation showed that in late 2014 AT&T switched to a "full yield curve" approach, from a weighted-average or aggregate rate. (The new methodology aligns with the "individual spot rate" approach described in the second bullet above.) In explaining its change, AT&T cited an improvement in the precision involved in its expense calculation. The switch was treated as a change in estimate inseparable from a change in accounting principle.

Because "mark-to-market" accounting was already in use at AT&T, the change did not affect the total benefit obligations or the recognized benefit cost, because the decreases in service cost and interest cost components of recognized expense were offset by the immediate recognition of any gains and losses at end of year.

Jerry Mingione, an actuary with Willis Towers Watson and an Academy board member, noted that "while the traditional aggregated approach remains a very sound basis for determining pension expense, it involves some tradeoffs that haven't always been obvious. The alternative 'more granular' approach to setting pension expense is being viewed as equally acceptable yet generally sets cost elements lower. It thus represents a rare opportunity for plan sponsors to reset pension cost methodology and, in many cases, have a sizable impact on corporate earnings. Actuaries are having to deal with it because it comes up as an issue to at least evaluate and consider with just about every client."

For companies using yield curves as a basis for setting discount rates, getting approval for a switch to a granular approach is

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EA Meeting Offers Direct Access to Policymakers

THE ANNUAL ENROLLED ACTUARIES MEETING in Washington, D.C. featured a variety of informational sessions and question-and-answer panels with experienced practitioners and top regulators from key federal agencies. This unique opportunity allowed policymakers to make themselves accessible to actuaries who work with a vast array of employers across many industries. This exchange enables enrolled actuaries to serve the public better by staying on top of the latest pension data analysis and emerging regulatory and professionalism issues.

Zimmerman (left) and Brown

'LATE BREAKING DEVELOPMENTS—IRS'

"Late Breaking Developments" featured panelists Carolyn Zimmerman and Kyle Brown from the Internal Revenue Service, Tonya Manning of Buck Consultants and co-chairperson of the Academy's Lifetime Income Risk Joint Task Force, Ellen Kleinstuber of CBIZ Savitz and chairperson of the Academy's Pension Committee, and Kent Mason of Davis & Harmon.

Brown discussed upcoming guidance on risk transfers and elaborated on the new guidance regarding appropriate retirement age for multiemployer plans. He also maintained that despite some unease in the pension community, discontinuing the IRS "gray book" in 2015 was necessary to allow the agency to better focus on overall guidance. More guidance on hybrid plans is expected as well.

Zimmerman, a member of the Academy's Pension Committee, announced the new regulations for Sections 430 and 436 while Section 404 has been pushed back. The IRS is prepared for the enrollment cycle next year and an issue notice has been put out for input on priority guidance plans. However, some of the proposed plans use interest rates not approved by the program and will be subject to further review.

Kleinstuber elaborated on the proposed nondiscrimination testing regulations that were issued on Jan. 28; comments were due by April 28. Fully 50 percent of employer plans could be disqualified by these regulations if adopted. There is also the possibility of permanent relief for certain closed defined benefit (DB) plans and certain DB plans with closed formulas. The inclusion of Pension Benefit Guaranty Corp. (PBGC) premiums for balancing the federal budget for certain legislation is an issue being raised by the actuarial community as well.

Kleinstuber added that the Obama administration recently expressed interest in studying the effects of premiums on the PBGC's budget and finding strategies to maintain its long-term fiscal health.

'DIALOGUE WITH AND UPDATE FROM THE PBGC FOR MULTIEMPLOYER PLANS'

Multiemployer actuaries received an update from a panel of representatives from the PBGC. An overview of the partition consultation process allowed attendees to learn about plan basics like participant counts and expected date of insolvency (DOI).

The PBGC panelists were Christopher Bone, Julie Cameron, Joseph Shelton, and Amy Viener, and the session was moderated by Phillip Romello of Segal Consulting.

This overview included a look at how partitions have been used before and since the implementation of the Multiemployer Pension Reform Act of 2014 (MPRA) and a discussion of solvency requirements and how to devise a successor plan to calculate the amount of liabilities to partition. The panel then presented several multiemployer supplemental data tables for 2013 covering zone status and administrative expenses.

Attendees asked questions and sought guidance at a lively open-mic session where panelists and officials engaged one another about current regulatory issues.

Panelists then reviewed the e-Filing portal for multiemployer plans, which was launched in December 2015. Use of the portal is required for filings such as notices of insolvency and notice of termination, though filing an annual funding notice or notice of critical status via the portal is encouraged but not required.

The projections report, issued Sept. 28, 2015, was reviewed in detail and features models for projected outcomes and analysis of the "impairment test" report. Attendees also got a look at the latest data; panelists also reviewed the FY 2014 Five Year Report, issued on March 31, 2016. Key figures in the report include multiemployer premium history, guarantee structure, and models projecting the risk of insolvency.

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ERISA Fiduciary Session Highlights Trust

IN THE FINAL SESSION of the EA Meeting, John Moore, Academy secretary-treasurer and former vice president of the Pension Practice Council, moderated a panel discussion on ERISA fiduciary roles and responsibilities. While actuaries are not typically fiduciaries, there are certain situations in which a consulting actuary could be construed as having taken a fiduciary role.

David Kaleda of the Groom Law Group started the program with a discussion of the basic definitions of an ERISA fiduciary and settlor, along with a discussion of the impact of crossing the line from settlor to fiduciary. Sarah Huck (Reinhart Boerner Van Deuren) and Thomas Toale (PricewaterhouseCoopers LLP) took the discussion further, using case studies and court cases to expound upon the complexities of the fiduciary rules. Case study topics included issues dealing with plan administration and termination, risk transfer, consulting services, and investment advice. Panelists also touched upon the impact of the Department of Labor's recently released final regulations on the fiduciary rule.

Multiemployer Sessions

WITH THE ADVENT of the Multiemployer Pension Reform Act (MPRA), multiemployer plans have a new set of tools to help ensure that their plans stay solvent. The first benefit suspension application decision is also due to be decided in the next several weeks, which will help plans determine the most feasible course of action if their plans happen to be "critical and declining."

In the first multiemployer breakout session of the EA Meeting, Christian Benjaminson (Cheiron), Darren French (PBGC), and Joseph Shelton (PBGC) did a general overview of how multiemployer mergers and partitions occur since the passage of MPRA. This legislation clarified the agency's authority to facilitate mergers of multiemployer plans through financial and other means. Panelists discussed the pros and cons of a plan merger and completed a case study of a successful plan merger.

MPRA also created a new zone status structure, along with a "critical and declining" designation, in which a plan is projected to become insolvent within 15 years. Critical and declining plans are eligible to suspend benefits in order to reduce current or future payment obligations. They are also eligible to partition the plan, with one portion receiving financial assistance from the PBGC. Panelists discussed the circumstances in which suspensions and/or partitions may be appropriate for a plan, using case study examples.

Shelton (left), French, and Benjamison

A multiemployer breakout session on day two discussed the topic of benefit suspensions for critical and declining multiemployer plans. Peter Hardcastle (Cheiron) and Sarah Adams (Groom Law Group) described what it means for a multiemployer plan to be in "critical and declining" status, and the different ways in which a plan can use this designation to suspend benefits.

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guidance should also apply to plans not in the public sector.

Some of the key issues identified to date include:

- Should standards require information for the benefit of users other than intended users?
- Where should pension standards fall on the principles-based/prescriptive spectrum?
- Should additional guidance for public plans be provided? Should any additional guidance apply to non-public plans as well?
- Should disclosure of some kind of market-based value of liabilities be required?
- Can/should the actuarial profession step in and provide stronger guidance if regulation is deemed to be insufficient?

Todisco said the task force reviewed the 200-plus pages of responses to the request for comments, noticing "certain high-level themes" in the letters in addition to the many specific suggestions. The task force attempted to reach positions on the high-level themes prior to addressing the specific suggestions. Some of the letters also urged the ASB to hold a public hearing, which it did last year, with the participation of the task force.

The task force "held weekly calls for the better part of a year," permitted minority opinions and conveyed them to the board, and "agreed that we wanted to articulate the rationale for what we were going to suggest, or not suggest," Todisco said.

A Deep Dive Into Public Plans

PUBLIC PENSION PLANS remain hot topics in the news, and several sessions of the EA Meeting were devoted to disclosures, risk management, and investment return assumptions for public plans.

RISK MANAGEMENT FOR PUBLIC PLANS

The California Public Employees' Retirement System (CalPERS) took a hard look at risk after losing about a quarter of its assets in the Great Recession, said panelist Alan Milligan, CalPERS' chief actuary. The organization changed its governance structure by placing its actuarial office and investment office as equal partners under the chief financial officer to better manage investment risk.

CalPERS expects to lower its discount rate from about 7.4 percent to 6.5 percent over 20 years through a process that decreases the rate gradually in most years but falls faster after years with excellent investment returns. The goal is to reduce investment risk to make funding sustainable, he said. "I believe actuaries should not sit back when asset allocation is discussed. We need a seat at the table," Milligan said.

Panelist Evan Inglis, senior vice president at Nuveen Asset Management, said that expected return assumptions should adapt to market conditions, which now are showing lower returns. Equities might return only 4 percent annually over the next decade while bonds could yield 2 or 3 percent, so actuaries should determine how pension plan budgets should look when using those numbers as investment return assumptions, Inglis posited.

While actuaries are not investment professionals, they should help establish risk-tolerance levels for public plans, said Aaron Shapiro, a principal at Buck Consultants. Can employers and employees handle higher risk that might lead to larger contributions or benefit cuts during lower return years? It's important to establish a risk management framework, which involves identifying key metrics and creating goals for key metrics and acceptable confidence thresholds for reaching those goals, Shapiro said.

Actuaries already provide a lot of useful information, but there are better ways to focus users on key metrics.

THE PUBLIC SECTOR'S WISH LIST FOR PENSION ACTUARIAL DISCLOSURES

Adding to current requirements for public pension plan disclosures, panelists outlined an array of possible new requirements. The list includes another introduction in Congress this year of the Public Employee Pension Transparency Act, which requires added disclosures for public plans; the U.S. Treasury monitoring the Actuarial Standards Board (ASB) with focus on risk disclosures; and potential actuarial standards of practice (ASOP) including assessment and disclosure of risk associated with measuring pension obligations and determining pension plan contributions.

Actuaries already provide a lot of useful information, but there are better ways to focus users on key metrics, said panelist Bill Hallmark of Cheiron Inc. and vice president of the Academy's Pension Practice Council. Hallmark suggested using a dashboard concept that can provide key information that is useful for decision makers and would help standardize basic measures across plans to make comparability easier. Key areas would be contributions, status compared to funding targets, and changes affecting contributions or funded status, he said.

PUBLIC EMPLOYEE RETIREMENT SYSTEM WORKSHOP

At this session, actuaries engaged in a lively discussion on ASOPs, with some actuaries saying they were too prescriptive. Some suggested there are too many ASOPs and that a majority of actuaries should determine whether to support new ASOPs.

Others supported ASOPs and highlighted that public comments were taken into account before ASOPs were adopted. Standards of practice in many other countries are much more prescriptive, said Tom Wildsmith, Academy president. "I think we can be glad that we have principle-based standards," he said.

The session included a robust discussion about assumption setting, with a particular focus on setting investment return rates in today's economic environment. ▲

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fairly routine. But it's a different story for the significant percentage of major companies that use bond models in setting discount rates. For them the environment remains uncertain. "The Academy has a group working on identifying alternative approaches that might prove acceptable for bond model users. But to the extent that this has been discussed with the audit firms, or the SEC, there is no stamp of approval on anything," Mingione said.

The panelists cited a Jan. 23 *Barron's* report, which stated that "as fourth-quarter earnings reports come out, investors should look for pension accounting changes that will artificially flatter (current year) earnings by tens of millions of dollars or more at some firms." The report states:

> It's not free money. The magic of increasing earnings now will be paid for in the future. As an actuarial change, lowering costs now could mean higher costs down the road. If both service and interest costs shrink, something else has to grow on the balance sheet, and that's usually an item called unrecognized actuarial losses. That cost should, over time, find its way back into the income statement through amortization of actuarial losses. ▲

Senior Pension Fellow Goldman Explains Longevity Risk on Capitol Hill Panel

"IF YOU HAD TO GUESS how long you'd live, most of you would guess too low." This simple but critical message was at the heart of an April 13 presentation explaining longevity risk that Academy Senior Pension Fellow Ted Goldman delivered on Capitol Hill as part of a National Retirement Planning Week (NPRW) panel discussion.

To emphasize the common mistake of not using a planning horizon beyond life expectancy age, Goldman rhetorically asked the audience of congressional staff and others in attendance, "Would you bet your life on a coin toss?" Fifty percent of any particular cohort will live longer, and some will live much longer, than their life expectancy age, he explained. "People are living a lot longer today than 50 years ago, and that trend is expected to continue."

To illustrate the difference between longevity and life expectancy, Goldman offered a hypothetical example showing the likelihood of survival to certain ages for a retiring male and female spouse, both age 65 nonsmokers in average health. The answer to the question of how long they should plan income to last is not a single number, but a range. There was a 25 percent chance that the female would live another 35 years, which is 10 years beyond her life expectancy. "It's really a tricky process to figure out what to save for retirement. … Our goal is to help educate and get people thinking about it earlier," he said.

Goldman challenged the audience to consider not just longevity risk, but other unknowns when shaping retirement policy, such as:

- Your ability to work (for income) during retirement.
- Your ability to rely on family to pick up any shortfall.
- The performance of your investments while you are retired.
- Your health (including whether you and/or your spouse may need long-term care).
- Your ability to make sound financial (and other) decisions during retirement.
- The rate of inflation.

For help understanding longevity risk and other factors in retirement planning and public policy, Goldman referred audience members to resources developed as part of the Academy's **Lifetime Income Initiative**.

Goldman

Goldman was one of four panelists from a broad coalition of organizations, including the Academy, that promote NPRW, a national effort to help consumers focus on their financial needs in retirement. The week, which took place April 11-15, is held each year in the spring. Other topics discussed by the panel included cognitive impairment and the financial exploitation of seniors, the retirement planning challenges facing women, and the importance of financial literacy. Rep. Joe Crowley (D-N.Y.), a member of the House Ways and Means Committee and author of a legislative initiative to promote personal savings and strengthen and expand retirement income options, also spoke at the event.

Academy Comments on Multiemployer Pension Plans

SENIOR PENSION FELLOW TED GOLDMAN **submitted comments** March 16 to the Senate Finance Committee for its hearing, "The Multiemployer Pension Plan System: Recent Reforms and Current Challenges."

A multiemployer pension plan requesting benefit suspensions for participants under the Multiemployer Pension Reform Act (MPRA) is required to submit various actuarial projections to the Department of the Treasury. The projections are used to determine whether a plan meets the criteria for critical and declining status and the criteria for benefit suspensions.

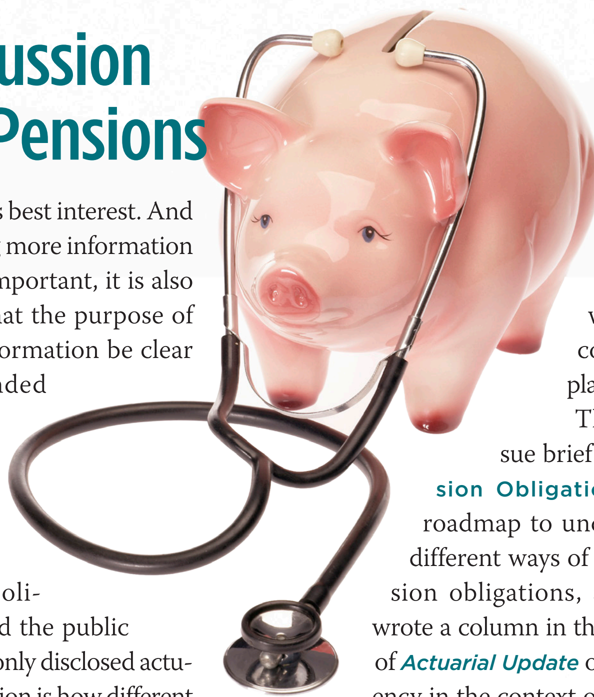
The comments state that the Academy's Multiemployer Plans Subcommittee is available to provide objective analysis, advice, and education, including the ability to:

- Provide a clear understanding of how underlying actuarial assumptions and methods are selected in the MPRA application process, the relative impact of each assumption, and the related sensitivities. Public comments submitted regarding MPRA applications illustrate there are multiple perspectives that can be supported for selecting assumptions.
- Offer feedback on the viability of specific actions and strategies that are raised along with the pros and cons of each approach, thereby illuminating all sides of an issue.

The comments note that decisions will likely be made in the coming months addressing MPRA's suspension of benefits provisions, long-term sustainability of some multiemployer pension plans, partitions with the Pension Benefit Guaranty Corp. (PBGC), and future multiemployer plan designs and structures (i.e., the "composite" plan design).

"The impact of these decisions will likely be significant for many individual participants and will affect whose benefits may be reduced, the level of benefit reductions, the viability of the PBGC support, the burden placed on current active participants and their employers for benefits provided to orphaned participants and prior generations, and the ongoing health of multiemployer pension plans," the comments state.

Academy Welcomes Discussion of Disclosures for Public Pensions



THE ACADEMY ANNOUNCED that it hopes the reintroduction of the Public Employee Pension Transparency Act (PEPTA) in the U.S. House of Representatives in March will lead to a discussion that raises awareness of U.S. public sector plan issues—how information is currently provided, what current disclosures mean, and what other information would be useful to the public.

"Millions of Americans—including state and local workers, retirees, and taxpayers—have a stake in the financial health of these plans," said Academy President Tom Wildsmith. "Ensuring that relevant, useful information is readily available about the assets and obligations of state and local pension plans is in the public's best interest. And while making more information available is important, it is also important that the purpose of disclosed information be clear to the intended audience."

A key point that the Academy makes in educating policymakers and the public about commonly disclosed actuarial information is how different types of measurements of a pension plan's financial health are used for different purposes. Some measures are intended to facilitate an orderly pattern of funding over time, and others are intended to estimate what it would cost to settle the plan's obligations.

The Academy issue brief **Measuring Pension Obligations** provides a roadmap to understanding the different ways of measuring pension obligations, and Wildsmith wrote a column in the February issue of ***Actuarial Update*** on how transparency in the context of pension calculations helps assure the public's trust in the profession.

Read the Academy's **alert** and **news release** on the PEPTA bill. ▲

Social Security, Retirement Top Election-Year Issues in EA Meeting Survey

SOCIAL SECURITY AND RETIREMENT ISSUES, perhaps not surprisingly, were the top election-year issues cited by pension actuaries at this month's Enrolled Actuaries Meeting in Washington, combining for 63.3 percent of the responses.

Social Security received 39.2 percent of the top responses, followed by retirement with 24.1 percent. They were trailed by the Affordable Care Act, climate risk, and Medicare. Two ballots did not cite a preference for a top issue.

The survey was conducted to raise awareness of the Academy's Annual Meeting and Public Policy Forum, which will be held in Washington Nov. 3-4, the week before the presidential election.

The Academy raffled off a $100 Amazon.com gift card, which was won by a member actuary who took part in the survey. Paul Adamczyk, a director with Prudential Retirement in Chicago, won the gift card, which was presented by Academy officials during EA Meeting drawings on the exhibit floor.

The Academy's Kasha Shelton (left) and Craig Hanna (right) flank Amazon gift card winner Paul Adamczyk at the Academy's booth on the EA Meeting show floor.

Adamczyk, who has been an Academy member since 1998, said the EA Meeting "was a good opportunity to get out of the weeds of everyday work and be briefed on recent developments and trends in our work. The opportunity to mingle with current and old friends in the business added to the meeting's luster. Winning the $100 Amazon gift card was the cherry on the parfait!" ▲

Subcommittee Sends Comments on Pension Issues Exposure Draft

THE PUBLIC PLANS COMMITTEE submitted comments to the Governmental Accounting Standards Board (GASB) on the exposure draft on Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73.

While GASB may need to provide more guidance for some plan-specific situations, the committee wrote there is one area—the Deferred Retirement Option Program (DROP) design—that it believes GASB should consider adding more clarity to.

Currently, whether or not plans include payroll for members in DROP as part of the total payroll for all active members is not consistent between plans and ease of data collection is part of the issue. Some plans with DROP features include DROP member payroll while others do not.

The percentage of the payroll for DROP members can be high, the letter states, noting that it would not be unusual to see 25 percent or more of payroll in a firefighter plan being for DROP members, making this a material consideration.

The committee suggests that GASB consider how to balance the desire to show useful relative value information with the ease of data collection, and that it believes that including DROP payroll would create better comparability.

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In his opening address, Wildsmith said the Academy is "committed to ensuring that the legislators and regulators who are shaping the future of retirement policy in our nation have the benefit of the best, most objective advice that our profession has to offer."

It's also important that the actuaries who work in this area be properly understood and appreciated, Wildsmith said. "You make it possible for the Academy's voice to be heard—clearly and compellingly," he said. "Whenever decisions are being made about pension and retirement policy, it is vital that the voice of the profession be heard.

"It is so important that whenever decisions are made about pension and retirement policy that the voice of the profession be there."

He highlighted Goldman's hiring earlier this year as a testament to the Academy's dedication to effective communication in the retirement arena, and he thanked the Academy's many volunteers present at the conference, held April 10-13.

The Academy's "voice is needed now more than ever as we face the challenges of an aging society and the retirement of the Baby Boomers," he said. "Far too many Americans are unprepared for retirement. Most have had limited opportunity to accumulate savings. Low interest rates and investment losses have kept nest eggs—whether they are in defined contribution plans or in personal savings—from growing."

In such an environment, retirement plans can't simply be taken for granted, Wildsmith added.

MULTIEMPLOYER PLANS IN SPOTLIGHT

Eli Greenblum, the immediate past vice president of the Pension Practice Council, spoke during the opening plenary session, "Are There Any Guarantees in Life?" He gave an overview of statutory and federal agency rules that can lead to loss of multiemployer pension plan benefits.

Eli Greenblum, immediate past vice president of the Pension Practice Council, presents at the EA Meeting general session 'Are There Any Guarantees in Life?'

There are about 1,400 multiemployer defined benefit plans, covering 10.5 million participants, he noted, and are common in the construction, transportation, and service industries and in professional sports; they have separate funding rules and far lower Pension Benefit Guaranty Corp. (PBGC) guarantees and premiums than single-employer plans.

About 10 percent of plans are currently in critical and declining ("red C&D") status, under the Multiemployer Pension Reform Act of 2014. These plans, which are projected by the actuary to become insolvent (have no assets) within 20 years, can

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'DIALOGUE WITH IRS/TREASURY'

Practitioners and high-ranking officials from the IRS and U.S. Department of Treasury facilitated a dialogue with hundreds of enrolled actuaries for over an hour at this session. Panel participants included Kyle Brown and Harlan Weller from the Treasury, and Linda Marshall and Carolyn Zimmerman from the IRS. Attendees asked questions and sought guidance at a lively open-mic session where panelists and officials engaged one another about current regulatory issues.

Hot topics at the session included the ongoing review process of new Treasury regulations for annuities and the IRS procedures regarding a plan merger and the funding calculations that must take place. Brown noted that the IRS has reduced its resources for handling determination letters and asked interested parties to submit issues of concern for further guidance.

'U.S. DEPARTMENT OF LABOR UPDATE'

Department of Labor representatives led an update session and offered regulatory guidance. Panelists included Chet Andrejewski and Tom Hindmarch from DOL, former Academy Senior Pension Fellow Ron Gebhardtsbauer of Penn State University, and Monica Gajdel of Aon Hewitt. Gajdel and Hindmarch both offered insight on situations when plans have missing participants. While there's no specific guidance on finding missing people, a commercial locator service is often used in such cases.

In other news, a survey of several defined benefit plans revealed some deficiencies and a decline in the quality of plan data and audits—39 percent of plans were identified as having notable issues. DOL is trying to work with plan sponsors to fix these problems and report bad auditors to their state licensing board if necessary. The panel also addressed accountability issues regarding regulators who receive bonuses in return for approving plans. The new proposed rules for noncompliance with procedures were also discussed, in which case a loss of administrative remedies will be applied.

Gebhardtsbauer then elaborated on the role of the ERISA Advisory Council. The council consists of members from all over the pension world including employee organizations, multiemployer plans and staff from the insurance, accounting, and investment management fields. The council's 2015 issue statement was also discussed, which focuses on delivering proposed model notices to DOL.

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There are special limits to how a benefit can be cut, and which beneficiaries are eligible for such cuts. Types of suspensions discussed included equitable suspensions, where certain groups may have their benefits cut if there are equitable reasons; and phased suspensions, where cuts are made gradually. The plan must have a 50 percent chance of avoiding insolvency for a suspension to be permitted.

Panelists also discussed the suspension application process, required notices to participants and beneficiaries, and the approval process by Treasury. Current applicants for benefit suspensions were used as case studies in order to illustrate the process.

Finally, multiemployer actuaries engaged in a discussion about their own experiences in a workshop led by Matthew Deckinger (MGD Consulting) and William Ruschau (United Actuarial Services). Participants discussed such varied topics as how they are handling the new critical status zones, how plans are approaching the prospect of partitions, trustee reactions to the doubling of PBGC premiums, and other general reactions to the post-MPRA landscape for multiemployer plans.

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apply to the U.S. Treasury Department to "suspend" a portion of the benefits accrued by participants, including pensioners under age 80. The result will generally be benefits that are at least 10 percent above the level that the PBGC would provide upon insolvency. The Treasury website lists four plans that have applied for that authority so far.

Greenblum noted the PBGC may approve a partition (partial takeover) of a plan that is in red C&D status and has taken and is continuing to take "all reasonable measures" to avoid insolvency—and those measures include the maximum benefit suspensions, if applicable. He observed that it will be interesting to see which plans apply, and which of those the PBGC—which is projecting its own Multiemployer Guarantee Program to become insolvent in about nine years—will accept for partition.

Academy Board member Jerry Mingione (at podium) gives a presentation on alternative pension costs recognition at the EA Meeting