

September 28, 2004

Internal Revenue Service  
Attn: SE:OPR (Joint Board Regulations)  
1111 Constitution Avenue, NW.  
Washington, DC 20224

Dear Sirs and Mesdames:

We are submitting comments in response to the June 29, 2004, request by the Joint Board for the Enrollment of Actuaries (JBEA) in connection with possible revisions to the regulations governing actuarial services under the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Towers Perrin provides actuarial services to more than 2,000 qualified defined benefit plans in the U.S. By virtually any measure, we are the preferred provider of actuarial and related retirement consulting services to the country's largest corporations. We currently serve as consulting actuary for more of the *Fortune* 100 (and 500 and 1000) companies that sponsor defined benefit plans than any of our competitors. We employ a large number of enrolled actuaries and welcome this opportunity to comment.

Our comments are organized into the five main areas outlined in the June 29 request, in the same order as they appear in the request.

## **1. Becoming an Enrolled Actuary (EA) – Experience and Knowledge Requirements**

- A. We believe that the implementation of the knowledge requirement (i.e., the Joint Board's Enrolled Actuaries examinations and the alternative methods of demonstrating equivalent knowledge) should continue to be focused exclusively on pension actuarial services under ERISA and the Internal Revenue Code ("Code"). The Joint Board's examinations currently cover the mathematical tools necessary for pension actuarial services (EA-1), the performance of actuarial valuations for determination of minimum required and maximum tax deductible contributions for qualified pension plans (EA-2A), and the provisions of ERISA, the Code, and related regulations and rulings as they affect pension actuarial practice (EA-2B). Because of the critical importance of these subjects to the pension actuarial services provided by an actuary as an Enrolled Actuary, we believe the coverage of the exams should continue to be focused on and limited

to these topics. We do not believe that the coverage of the examinations should be expanded to include, for example, pension accounting under the Financial Accounting Standards (FAS), or the provisions of Code section 419 on the treatment of funded welfare benefits, or other areas similar to but not part of pension actuarial services under ERISA and the Code.

- B. We recommend review of the feasibility of putting a stronger emphasis on the selection of actuarial assumptions.

## **2. Continuing Professional Education (CPE) for Renewal of Enrollment**

- A. We believe that the current CPE requirements are appropriate.

We do not recommend expanding the definition of “core” subject matter to include pension accounting, retiree welfare plans (e.g., Code section 419), or other topics similar to, but not part of the performance of pension actuarial services under ERISA and the Code. We believe that the definition of “core” subject matter, like the Joint Board’s EA examinations themselves, should continue to be focused on pension actuarial services under ERISA and the Code.

- B. The JBEA has specifically requested input on the “acceptability of new technologies (computer-based programs, web casts, recorded telecasts, audiotapes, videotapes, etc.)” for CPE credit. We recommend that CPE sponsors who wish to avail themselves of such technologies be required to specify how they will verify attendance and completion with regard to such a technology in their applications to be authorized as qualified program sponsors by the JBEA. The current regulations address many of these new technologies. To the degree that they don’t, it may be possible to tune the regulations somewhat. However, in the face of rapidly evolving technologies, it may be more practical to administer the application of current concepts and standards through the regular process by which potential CPE program sponsors apply for the JBEA’s approval.

## **3. Waivers of CPE Requirements**

Except as noted in the next section, we have not perceived problems with the current waiver process and standards.

#### **4. Types of Enrollment Status**

- A. We do not recommend changes in the rules regarding “inactive status,” which apply to those individuals who do not meet CPE requirements and do not avail themselves of the waiver or “retirement” status process. However, we recommend that the regulations be amplified to specify more clearly the CPE requirements for re-instatement as of various points of time during the following three-year cycle, and the relationship of those CPE requirements with the requirements for ongoing renewal after re-instatement.
- B. With regard to “inactive retirement status,” we do not see a clear distinction between “absence from the individual’s country of residence” (currently covered by the waiver procedures) and an “individual who no longer performs services as an enrolled actuary” (who can currently request indefinite exemption from the CPE requirements as an EA in “inactive retirement status”). The first situation seems to be simply one example of the second. We recommend that it be clarified that both situations can be handled through what is currently designated as “inactive retirement status.”

In addition, we recommend that “inactive retirement status” be renamed “leave/retirement status” or something that more clearly distinguishes it from “inactive status” and more clearly fits its definition.

Finally, we recommend that “leave/retirement status” be available for no more than three consecutive three-year enrollment cycles. This limitation would be subject to extension by the JBEA in special circumstances through the waiver process.

As was the case with “inactive status,” we recommend that the regulations specify more clearly what the CPE requirements are for return to active status from “leave/retired status” as of various points of time during a three-year cycle, and the relationship of those CPE requirements with the requirements for ongoing renewal after return.

#### **5. Standards of Conduct, Performance, and Practice**

- A. We believe that the standards of performance of actuarial services set forth in current JBEA regulations are adequate.

- B. To the degree that the JBEA may feel that these standards need to be expanded, we feel that differences between the JBEA standards and the Code of Professional Conduct should be kept to a minimum. Wherever possible, any expanded regulatory standards should incorporate the applicable parts of the Code of Professional Conduct.
  
- C. We understand that the JBEA, the American Academy of Actuaries, and the Actuarial Board for Counseling and Discipline have explored ways to coordinate their activities in situations in which there are allegations of individual failure to adhere to professional standards. We understand that confidentiality, procedural, and legal requirements necessarily limit any opportunities to coordinate the JBEA and ABCD processes of reviewing and dealing with allegations that arise. Nevertheless, within these significant limitations, we support the continued search for opportunities for mutual assistance as each organization strives to uphold standards of conduct, performance, and practice.

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Thank you for your consideration of our comments. If you have any questions, need clarifications, or would like to discuss our suggestions in further detail, please do not hesitate to call me at (513) 345-4228.

Sincerely,

James A. Stinchcomb, FSA EA  
Director of Actuarial Practice

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