

OCTOBER 18-21, 2015 | GAYLORD NATIONAL  
NATIONAL HARBOR, MD

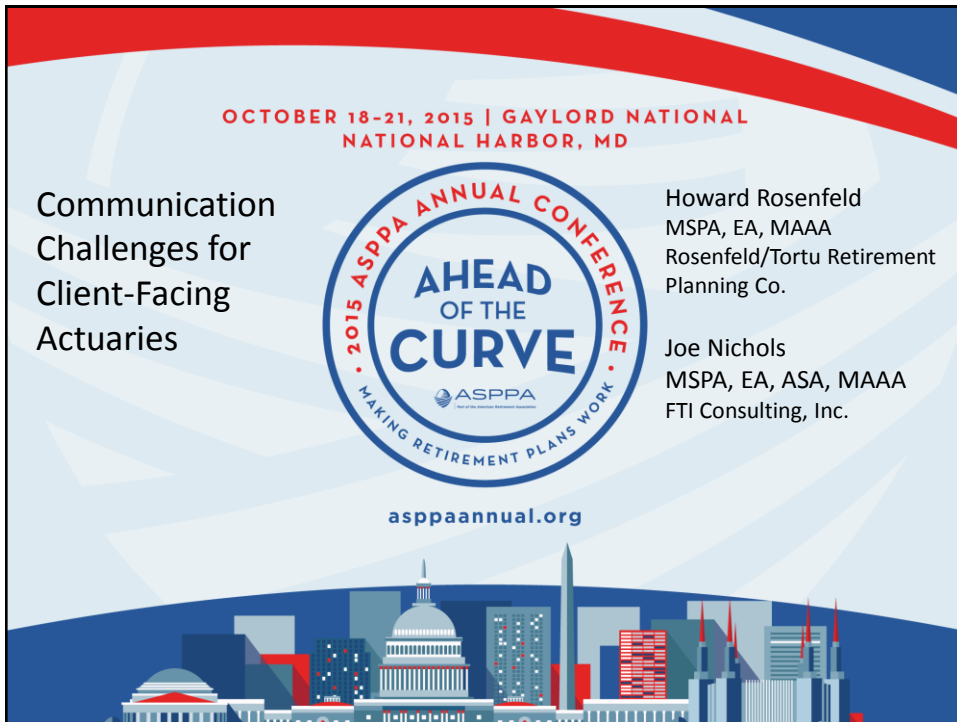
Communication  
Challenges for  
Client-Facing  
Actuaries

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MAKING RETIREMENT PLANS WORK

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## Topics

- ASOP 41
- Plan design issues
  - DB responsibilities
  - Existing plans
- Contribution expectations
  - Minimum required
  - Maximum deductible
- PBGC coverage
- Changes in tax law and regulations
- Overfunded plan close to termination

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## ASOP 41

- Required for all actuarial communications
  - A written, electronic, or oral communication issued by an actuary with respect to actuarial services
- Includes control of work product
- Number of disclosures required
  - Intended users
  - Scope of engagement
  - Acknowledgement of qualification
  - Cautions of risk, limitations, conflict of interest and where actuary relied on other information



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## Communication Techniques

- Disclose as much information as possible in
  - Proposals
  - Valuation reports
  - Service agreements
- For unpleasant news, write down main points to discuss, take notes, then follow up with email or letter
  - Large increase in minimum
  - Overfunded plan close to termination
  - Inability to pay lump sum due to late AFTAP
  - Restricted lump sum



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## Plan Design Issues

- Defined benefit responsibilities
  - Required funding
  - Permanency
  - Participation requirements
  - Pooled assets
  - Conservative investments required for low contribution volatility



## Plan Design Issues

- Existing plans
  - SEP
    - Can SEP contributions for current year be returned?
    - What if there are employees involved?
  - SIMPLE
  - Existing 401(k) plan
    - Safe harbor?
    - Hours requirement/last day/profit sharing allocation
    - Allocation groups



## Contribution Expectations

- Minimum Required Contribution
  - Relatively level, assuming all stays the same
  - Discuss the impact of anticipated changes
    - Volatile company income
    - New Employees
    - Plan amendments
    - Partners terminating
  - Carryover balances
  - Excise tax for missed MRC



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## Contribution Expectations

- Maximum Deductible Contribution
  - Issues with self employment income limit
  - Issues with overfunded plan
    - Terminating overfunded
    - Partners terminating
    - New Employees
    - Plan amendments
    - Partners terminating



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## PBGC Coverage

- Why coverage is necessary?
  - State Issues (Community Property States)
  - Family Attribution
- What does my premium cover?
- What is a variable rate premium?
- Reporting requirements



## Changes in tax law and regulations

- Contribution limits are easy
- What about everything else?
- Does the client care?
- Should the client care?
- The more exposure the client has, maybe the more appreciation they have for you



## Termination of Overfunded Plan

- 415 Limits-Determination of Lump Sum Limit
- Change in 417(e) rates
- Overzealous investment policy



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