

Joint Board for the Enrollment of Actuaries

Announcement 99-25

Examinations

The Joint Board for the Enrollment of Actuaries has under consideration the restructuring of the examinations it offers under 20 CFR 901.13(d)(1). The need for restructuring is based on the expansion of the body of law affecting the private pension system and the corresponding increase in the complexity of the work for which enrolled actuaries are responsible. The syllabus of the current law examination, one of two examinations an individual must pass in order to meet the knowledge requirement for enrollment, does not provide sufficient opportunity to test a candidate's knowledge of the relevant pension law. In addition, the pension mathematics segment of the basic actuarial examination does not cover sufficient material to test a candidate's ability to apply sound actuarial techniques to the increasingly complex regulatory environment in which defined benefit pension plans operate.

As a result of discussions held at a public meeting on June 30, 1998, and in other public forums, the Joint Board and the examination co-sponsors, the Society of Actuaries and the American Society of Pension Actuaries, propose to restructure the examination program.

The major topics for the restructured basic actuarial examination would be (1) compound interest, and (2) life contingencies. These topics are now covered in the first segment of the basic actuarial examination (EA-1A). The restructured examination covering these topics would be 2 ½ hours long, the same length as the current EA-1A examination.

The restructured pension law examination would be offered in two segments. The first would cover basic pension mathematics, including the law and regulations that relate to funding qualified defined benefit pension plans that are neither overfunded nor seriously underfunded. The second segment would cover the remaining relevant law and regulations. This would include treatment of overfunded plans, deficit reduction contributions, qualification standards, etc. A minimum standard of competence would be established for each segment. Each segment of the restructured pension law examination would be 4 hours long.

It is the Joint Board's intention to offer each examination once a year. The basic actuarial examination and the second segment of the pension law examination would be offered in the spring. The first segment of the pension law examination would be offered in the fall. It is anticipated that the restructured program will take effect in the spring of 2001 when the basic actuarial examination and the second segment of the pension law examination will be offered.

Appropriate transition credits would be accorded to persons who have successfully completed portions of the enrollment examination before 2001. The Joint Board is considering the following system of transition credits:

- (1) A person who has successfully completed the first segment of the current basic actuarial examination before 2001 will receive credit for the restructured basic actuarial examination and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes both segments of the restructured pension law examination.

(2) A person who has successfully completed both segments of the current basic actuarial examination before 2001 will receive credit for the restructured basic actuarial examination and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes both segments of the restructured pension law examination.

(3) A person who has successfully completed the first segment of the current basic actuarial examination and the current pension law examination before 2001 will receive credit for the restructured basic actuarial examination and for the second segment of the restructured pension law examination and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes the first segment of the restructured pension law examination.

(4) A person who has successfully completed the second segment of the current basic actuarial examination and the current pension law examination before 2001 will receive credit for both segments of the restructured pension law examination and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes the restructured basic actuarial examination.

(5) A person who has successfully completed the current pension law examination before 2001 will receive credit for the second segment of the restructured pension law examination and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes the restructured basic actuarial examination and the first segment of the restructured pension law examination.

(6) A person who does not meet the requirements of one of the preceding five paragraphs before 2001 will receive no credit for any examinations passed under the current examination program and will satisfy the examination requirement of the Joint Board's regulations only if he or she passes the restructured basic actuarial examination and both segments of the restructured pension law examination.

ENROLLMENT

The regulations of the Joint Board for the Enrollment of Actuaries define the period during which Enrolled Actuaries must fulfill their Continuing Professional Education (CPE) requirements to be eligible for renewal of enrollment. Those regulations also define the period during which the enrollment of an Enrolled Actuary is valid and the date by which Enrolled Actuaries must file their application for renewal of enrollment for that application to be timely filed.

The current enrollment cycle, the period in which CPE requirements for the upcoming cycle are fulfilled ran from January 1, 1996 through December 31, 1998.

The current enrollment cycle technically started (with the use of the new pre-fix) on April 1, 1996 and will end on March 31, 1999.

Applications for renewal of enrollment should have been filed by March 1st.

The Board has noted that there is a wide spread impression that credits necessary to meet the CPE requirements for re-enrollment that were not earned by December 31, 1998 could be earned in January and/or February 1999. This is contrary to the regulations. However, the Board recognizes that, in the past, certain circumstances called for relaxation of the rules and that what has happened in the past might have been taken as a precedent.

As result, the Board will not deny re-enrollment to those actuaries solely because they fulfilled their CPE requirements in part with credits obtained in January and/or February 1999. However, the Board will require that Enrolled Actuaries who have availed themselves of this relief should, in a signed letter to the Board, disclose the number of hours of credit thus obtained and how they were obtained (e.g. identify the course taken, when and where the course was taken, etc.). Those credits earned in 1999 will not count towards meeting the requirements for the next enrollment cycle.

Such administrative relief will not be available at the end of the current re-enrollment cycle (April 1, 1999 through March 31, 2002) for credits earned in January and/or February 2002, nor will it be available in subsequent re-enrollment cycles. Enrolled Actuaries who are unable to complete their CPE requirements by the end of the last full year of the cycle will be expected to provide the Board's Executive Director with an explanation of the facts and circumstances which made it impossible for them to meet the requirements in a timely fashion.

FOUR-DIGIT ENROLLMENT NUMBER

This notice provides enrolled actuaries and other interested parties with a reminder of the Joint Board's position, which was adopted some years ago, on a matter where some confusion has arisen in the past. The confusion arises regarding the prefix to the four-digit enrollment number an enrolled actuary should use when signing a schedule B after December 31, 1998, but before the earlier of (1) receipt of official notice of reenrollment, and (2) April 1, 1999.

Accordingly, enrolled actuaries are advised that:

1. An enrolled actuary is not permitted to use the (in this case 99-) prefix until such time as he/she has been officially notified in writing by the Joint Board of his/her entitlement to do so. See the Instructions for Schedule B.
2. An enrolled actuary who has not yet received official notification from the Joint Board should use the 96-prefix if he/she signs a Schedule B in the first three months of 1999. The IRS Service Center will not reject the 96-prefix for a signature date during this three month period. The 96-prefix will be rejected for a Schedule B where the signature date is April 1, 1999 or later.

Paulette Tino, Chairperson
Joint Board for the Enrollment of Actuaries