



SOCIETY OF ACTUARIES

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NOTICE OF DISCIPLINARY DETERMINATION

ON MAY 30, 2014, the Society of Actuaries (SOA) convened a Discipline Review Committee for the purpose of reviewing a disciplinary sanction imposed by the Joint Discipline Council (JDC). The matter related to the conduct of Neil J. Savasta, the actuary responsible for the actuarial valuations of a governmental entity's post-retirement benefits obligations for the periods ending June 30, 2008 and June 30, 2009.

The JDC determined that Mr. Savasta materially violated Precepts 1, 3 and 4 of the *Code of Professional Conduct* and determined that his membership privileges in the SOA and other actuarial organizations to which he belongs should be suspended for five years. The SOA Discipline Review Committee reviewed the JDC's determination and affirmed that a five-year suspension was appropriate for the circumstances.

In performing the actuarial services for his client, Mr. Savasta did not comply with applicable Actuarial Standards of Practice (ASOPs) and materially violated the *Code* in the following respects:

- **Precept 1:** As the only qualified health actuary at his company, Mr. Savasta did not adequately review or supervise the 2008 and 2009 valuations of his client's obligations under Governmental Accounting Standards Board Statement No. 45 (GASB 45). Although it was the first valuation prepared by him in accordance with GASB 45, Mr. Savasta failed to familiarize himself with the requirements of the standard. Therefore, the JDC concluded that Mr. Savasta did not ensure that his work and the work performed under his supervision were performed with skill and care, as required by Precept 1 of the *Code*. In this respect, Mr. Savasta had previously been counseled by the Actuarial Board for Counseling and Discipline in 1998

to ensure that work performed by him or under his supervision be performed with skill and care.¹

- **Precept 3:** Mr. Savasta failed to ensure that the actuarial services performed by him and under his supervision met the applicable ASOPs, including ASOP Nos. 6, 35, and 41. He therefore materially violated Precept 3, which requires an actuary to observe applicable standards of practice that have been promulgated by a recognized actuarial organization for the jurisdictions in which the actuary renders the services.²

With respect to ASOP 6, *Measuring Retiree Group Benefit Obligations*, then in effect, the valuations were deficient in the following respects:

- Inappropriate use of a single per capita claims rate for all ages (Section 3.4.7);
- Inappropriate use of a single healthcare cost trend rate for all years (Section 3.8.1.a);
- Inappropriate use of a single retirement age assumption at age 65, considering the plan permitted retirement as early as age 55 and had a significant number of retirees under the age of 65 (Section 3.8.2.c); and
- Failure to provide key plan data with sufficient clarity that another actuary could make an objective appraisal of the reasonableness of the actuary's work (Section 4.2).

With respect to ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, then in effect, the use of a single retirement age was not a reasonable assumption (Section 3.3.5.a). With respect to that assumption, Mr. Savasta had not familiarized himself with the provisions of the client's pension plan and was not aware if it provided pension benefits (Section 3.5.1.c).

With respect to ASOP No. 41, *Actuarial Communications*, then in effect, the communication of the valuation results did not identify the actuary responsible for the work (Section 3.1.4). Mr. Savasta had previously been counseled by the ABCD on this same issue in 1998.

- **Precept 4:** The JDC determined that, for the various reasons stated above, Mr. Savasta had failed to take steps to ensure that his actuarial communications were appropriate under the circumstances, in material violation of Precept 4.³

All members of the SOA are reminded of their responsibility to follow the *Code of Professional Conduct*. **A**

END NOTES

¹ **Precept 1:** An Actuary shall act honestly, with integrity and competence, and in a manner to fulfill the profession's responsibility to the public and to uphold the reputation of the actuarial profession.

² **Precept 3:** An Actuary shall ensure that Actuarial Services performed by or under the direction of the Actuary satisfy applicable standards of practice.

³ **Precept 4:** An Actuary who issues an Actuarial Communication shall take appropriate steps to ensure that the Actuarial Communication is clear and appropriate to the circumstances and its intended audience and satisfies applicable standards of practice.