



SOCIETY OF ACTUARIES

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Section Highlights

E&R (EDUCATION AND RESEARCH) SECTION

The mission of the E&R Section is to (1) expand the knowledge base of the profession, (2) promote ties amongst practitioners and academics, and (3) support actuarial education and research (surprise).

Our 572 members are primarily academics, researchers (including actuaries who do practical research for their insurance companies, consulting firms, etc.), and practitioners interested in research and education (e.g., exam volunteers). While some academics do theoretical research, many would love to do more practical research and do it with practitioners, but getting this connection has been difficult. In practical research, flexibility and the ability to drill down is key. For example, many academic researchers will treat age-sex as an independent variable, whereas a practitioner might apply age-sex factors or look at results by age-sex cell. This aligns more closely with pricing models and gives us the ability to determine outliers. These methods are not mutually exclusive. In fact, it works best when the practitioner shadows the academic or vice versa. Also, in practical research, the results need to align closely with the underlying data. Not only should the overall averages match the data but also the slopes. Many academic studies are often dismissed if the mean predicted by a regression model is way off base from the underlying data. This happens frequently when the regression model accounts for human behavior ... always hard to model!

Another major difference between academic research and industry research is the role of

publication. Publication and subsequent citation of results is the primary goal of academic research, while industry research is often intended to be proprietary to provide a competitive advantage. Academic researchers often have difficulty obtaining data with which to develop and test leading-edge techniques and theories, while industry researchers often have rich proprietary data sources but may not be familiar with some leading-edge techniques. The Society of Actuaries (SOA) can play a role by developing industry datasets with rich detail that still protect the confidentiality of the contributed data.

We are a diverse group, since we can work in any practice area (or all of them). That can make it a little more difficult for us to unite over specific issues as in the practice-area sections, but we have been very successful at coming together at our excellent Actuarial Research Conferences (ARCs) every summer, the premier event for E&R actuaries each year. We just had our last ARC at UCONN which broke all kinds of records (150 attendees, 75 presentations, and 17 sponsors, including 11 sections). Our members attend ARC more than other SOA meetings, because they are in the summer (when professors are less likely to be teaching) and they are tailored to our membership.

The next two ARCs are on Aug. 1–4, 2012 at the University of Manitoba (on their Actuarial Department's 100th Anniversary) and Aug. 1–3, 2013 at Temple University (in Philadelphia). We hope that sections will continue to sponsor them and, in addition, encourage their members to attend and give presentations. That will help us with one of our top priorities: to integrate more with the other members and

sections of the SOA. It might help the presenter too, if academics at the meeting find it interesting and do further research on it (and many academics will enjoy doing research on a topic that practitioners can use).

To further this goal, we also created two subcommittees to bring together academic and practitioner researchers to co-author papers, do joint research, and co-present at SOA sessions and SOA webcasts. If you are interested, please email Joan Barrett (Joan_C_Barrett@uhc.com) or Tom Edwalds (tedwalds@munichre.com). 

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PENSION SECTION

Over the past several years, there has been a continuing trend away from defined-benefit plans as the primary retirement vehicle that companies offer to their employees. Based on statistics from the Pension Benefit Guaranty Corporation (PBGC) (see www.pbgc.gov/Documents/2011bluebook.pdf), hard-frozen defined-benefit plans—i.e., plans where benefit accruals have ceased completely—represented 26 percent of the defined-benefit plans covered by the PBGC at the beginning of 2009 and 13 percent of plan participants. Another 7 percent of participants were covered by plans where benefit accruals have ceased for some, but not all, participants. Finally, 11 percent of participants were covered by plans that may not be frozen, but are closed to new employees.

Observers have put forth many potential reasons for this trend, including increased cash

flow and expense volatility, an increased regulatory burden, and a lack of perceived value of defined-benefit plans among employees. Whatever the reasons for the trend, the decline in the prevalence of these plans remains a fact and represents a challenge for the actuaries who work with them. Closing or freezing a defined-benefit plan typically represents the first step toward an eventual plan termination, in which a company settles the benefits owed to plan participants by either paying lump sums or purchasing annuities with an insurance company. Once this has occurred, the company is no longer financially responsible for the pension benefits promised to its employees and the retirement actuary's involvement typically ends.

The Pension Section believes that plan terminations are likely to be a growing area of

practice for retirement actuaries in the future, and that there is a need for greater education on these issues. The termination process raises numerous issues that actuaries typically don't deal with on a day-to-day basis. For example, many plan sponsors who freeze their plans may decide that they need to better manage their investment risk in the near term to avoid having market swings significantly increase the cost of termination or create a surplus that can't be accessed without a significant tax liability. There are also very specific administrative issues and regulatory filing requirements that need to be understood and managed.

As a result, the section's continuing education offerings at the 2011 SOA Annual Meeting in Chicago were significantly expanded to include a symposium on pension plan terminations. The symposium covered a wide

variety of topics, from investment strategy and annuity pricing to administrative issues and filing requirements. Symposium participants have indicated that they found it to be interesting and informative, while helping them better prepare to serve their clients' needs in the coming years.

The Pension Section aims to provide continuing education content that is timely, relevant and valuable to retirement actuaries. While the 2008 financial crisis taught us that retirement plan trends are difficult to predict with any certainty, we believe the plan termination symposium and similar efforts will provide this timely, relevant and valuable content to our members. **A**

Eric Keener, FSA, EA, FCA, MAAA, is a principal with Aon Hewitt and is a member of the Pension Section Council, serving as the chair for the 2010/2011 council year. He can be contacted at eric.keener@aonhewitt.com.

The image shows a screenshot of the BeAnActuary.org website. At the top, the text reads "INTRODUCING BeAnActuary.org". A blue banner on the left says "JUST LAUNCHED". The website header includes "BE AN ACTUARY." and navigation links for "Tools", "Contact Us", "Site Map", and a search bar. Below the header is a horizontal menu with categories: "WHAT IS AN ACTUARY?", "WHY ACTUARIAL SCIENCE?", "HOW DO I GET STARTED?", "COLLEGE STUDY", "ACTUARIAL EXAMS", "FINDING A JOB", "DIVERSITY PROGRAMS", and "NEWS & RESOURCES". The main content area features a large image of a city street with a white truck labeled "ROLLOVER TO EXPLORE" and a yellow taxi. Below the image are three sections: "NEWS", "THE PROFESSIONAL LIFE" (with a sub-headline: "Whenever there is risk, there are opportunities for actuaries. And the recent financial crisis has further highlighted the skills actuaries bring to the table."), and "DO THE MATH" (with a sub-headline: "A car dealership sells 0, 1, or 2 luxury cars on any day. When"). A QR code is located in the bottom right corner of the screenshot.

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