

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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PENSION TRUSTS

- A. Are requests for special quotations or for "tailor-made" trusts frequent?
How can they best be handled?
- B. Which departments of the home office should be responsible for
- (i) Routine rate quotations,
 - (ii) Technical assistance to the trustees,
 - (iii) Actual administration of cases?
- C. How are the costs of handling pension trust business allocated?

MR. FRANK H. RICE: The Northwestern Mutual does not make special quotations for pension trusts.

MR. CHARLES H. BARNABY: Having lost the services of our key pension trust men, we in the American General have become acutely aware of the fact that an adequate staff for this type of business is essential.

MR. JOHN J. EVANS: In the Southwestern Life the pension trust department handles any case involving an annual premium of at least \$5,000 or ten or more lives for which a master contract is issued with certificates to individual members or for which individual contracts are issued with special pension premiums. Individual policies from our regular ratebook are used for smaller plans; however, even for these cases we carefully check the trust agreement with respect to provisions which may not be met by or are in conflict with our practices and policies. After all, even these smaller cases may entail added responsibility.

For these smaller plans we do not make annual cost of insurance calculations.

With respect to qualifying a plan, large or small, our position is that such qualification is the responsibility of the pension analyst.

MR. ALFRED N. GUERTIN: In connection with the special pension deduction in the new tax law, the problem of identifying reserves on insurance policies issued in connection with pension trusts is quite different from the problem of identifying reserves on group annuities. One is a special separation requiring special procedures not needed for purposes other than taxation, whereas the other is a natural separation for regular accounting purposes.

I gather from some of the discussion that has taken place that many companies assume as few responsibilities in connection with the operation of a pension trust as possible. They seek to treat the trustee just like any other policyholder. Normally they make no separation of valuation

records because policies are issued under pension trusts. It is my impression that some companies which write very small cases may feel that the expenses generated by making the necessary computations would be larger than the tax savings in cases of small trusts and some might elect not to make the separation. It would be interesting to hear if this practice is very widespread.

MR. BARNABY: Responding to Mr. Guertin's questions, in the American General we not only do segregate reserves for policies issued pursuant to a pension trust but we have made an extensive search for all policies in force which are or have in any way been connected with a pension trust.