RECORD OF SOCIETY OF ACTUARIES
1975 VOL. 1 NO. 1

PENSION PLAN PRINCIPLES AND PRACTICES

The passage of the Pension Reform Act points up the desirability of formulating principles and practices for pension plan construction and valuation. A committee of the American Academy of Actuaries is developing principles and practices. This session will present various views on having established principles.

CHAIRMAN DANIEL F. McGINN: Most of you are aware that the Society of Actuaries has attempted for several years to develop a "Guide to Actuarial Principles and Practices for Pension Plans". As far back as 1966 the Society's Committee on Pensions worked with the Conference of Actuaries in Public Practice to develop actuarial principles analagous to accounting principles developed by the accounting profession. During the last several years, we have seen several formal opinions published by both the Society and the Academy and have quite recently received drafts of principles and practices regarding actuarial present values. Now, because of ERISA, pension actuaries will soon be "enrolled" by the Joint Board for the Enrollment of Actuaries and the need for standards of principles and procedures seems urgent.

The principal question which I look to the panel to discuss today is whether or not actuarial principles and practices for pension plans will be developed by actuaries for actuaries or by actuaries for the government and the public. It seems that we, as professionals, are at a crossroads. We must either develop principles and practices which are practical guidelines for pension actuaries for the benefit of plan participants or we will continue to have internal disagreement and the Federal government will develop principles and practices which we will be forced to accept. Clearly none of us want the latter.

Today we have three very capable actuaries who form the panel to discuss this extremely important topic. First, Tom Bleakney, an active member of the Academy of Actuaries' Committee to develop actuarial principles and practices for pension plans, will give a status report on that Committee's efforts to devise practical principles and practices.

MR. THOMAS P. BLEAKNEY: During last fall's meeting of the Society, one of the concurrent sessions was devoted to the topic "Accepted Actuarial Practices for Pension Plans". During that session, the events which led the American Academy of Actuaries to form a committee concerned with actuarial practice for pension plans were ably summarized by George Swick, who also chairs the committee. The committee is burdened with the ponderous but precise label "Committee on Actuarial Principles and Practices in Connection with Pension Plans". The remarks which follow are a progress report on some of the activities of that committee.

The committee has recently been preparing and refining two exposure drafts for the consideration of Academy members. The first of these drafts was distributed in its original form last August. At the concurrent session last fall, I presented some remarks about the comments that were received

about that draft. As a result of these comments, the committee has been restructuring the material rather substantially. This exposure draft was concerned with actuarial present values, and was conceived as the foundation upon which would be built the recommendations in specific areas.

The second exposure draft deals with one of these specific areas -- the effect of inflation on actuarial present values. Within the next month, the committee expects to issue a revised exposure draft of the present values document plus a first exposure draft of the inflation commentary.

Presumably the documents distributed will not show the bloodstains from the committee's skirmishes over the various topics contained in the two drafts. Nevertheless, I can assure you that there was rarely a unanimous view as to any particular approach to any item in either of the documents. That certainly cannot be surprising to anyone familiar with the wide variety of practices in actuarial pension work. However, I feel the discussion was constructive and it is satisfying to note that the committee has been able, despite the many opinions on the various topics, to agree on a document which, on the whole, is acceptable to the entire committee.

The preparation of the draft documents was a time-consuming process. During the last year there have been several committee meetings, each lasting a complete day. Although the agenda of each of the meetings was generally limited to a particular topic, the discussions were often wide-ranging. No matter how limited the scope, deciding on substance and format in an area as uncharted as that of the committee's assignment can be most difficult.

One of the obstacles the committee had to overcome, at least to the extent possible, was the lack of a full-time research staff to aid in the preparation of the background materials for the expousre drafts being presented. Perhaps, as our profession grows, we will be able to afford greater investment in professional research.

The committee was faced with a number of transitional problems -- problems of setting up ideals while recognizing that many practitioners would have to institute substantial changes in existing techniques in order to conform with the recommendations. In fact, in the inflation draft, an entire section is devoted to a discussion of acceptable techniques for making the transition from existing practice to the recommended practice. For some, I am sure even the leeway provided by the transitional arrangements will not be sufficient to avoid major upheavals in practice. Since ERISA is making this a period of change anyway, perhaps the timing is fortunate, at least if the recommendations of the committee are accepted by the members of the Academy.

In the area of ERISA, the committee was often frustrated because so little is firmed up yet as to the law's detailed requirements. However, this is probably not as much of a handicap as it would appear at first glance. Hopefully, the exposure drafts will give the profession an opportunity to come to a considered opinion as to what proper actuarial practices are and should be. These deliberations probably should not be colored by what Federal regulations might require in the way of artificially set standards. Obviously where the principles and practices differ from Federal regulations, compromise will have to be reached. Nevertheless, it is my personal hope that the recommendations will be such as to stand on their own feet and provide a guide for the adoption of Federal regulations.

One of the best examples of the possible conflicts which might arise between ERISA and the Academy's recommendations is in the area of the actuary's "best estimate", as defined by ERISA in Section 302(c) (3). In some of the more exotic predictions which an actuary is faced with making, such as the level of Social Security benefits thirty years hence, a best estimate can be a mighty poor one. In place of such a tenuous "best estimate", sound actuarial and statistical technique suggests instead the establishment of a range of values with a confidence interval concept. Expanding this approach to several variables gives much more satisfaction that the end results are acceptable than simply the use of some central value assumption with blinders on as to any variations which might occur. The committee's ideas in this regard can be found in language such as ".... the actuary's actual expectation .... with a suitable allowance for future adverse fluctuations" and "in some instances, it may be appropriate to make several .... calculations under a variety of .... assumptions".

Another problem for the committee arose from the fact that a good deal of actuarial practice is oriented to personal preference as opposed to that which could be termed generally accepted. Obviously, this characterization does not or should not apply to the major elements of actuarial techniques. Nevertheless, there are enough differences because of personal preference, many of which do not affect the final result in major respects, that a definition of generally acceptable actuarial principles will pose some severe problems for many actuaries. Again, it is to be hoped that the problems will be largely transitional.

Finally, the generally accepted actuarial bugaboo was omnipresent in the committee's activities -- namely, that of nomenclature. Despite many attempts to come up with a universal language, well accepted by all actuaries, it was apparent in our deliberations that such does not exist. Perhaps in our continuing efforts to narrow somewhat the range of actuarial principles and practices, there will evolve a narrowing of the range of the words which actuaries use to describe the same item. Then again, perhaps this is wishful thinking.

The committee hopes that the two upcoming drafts will provide the same quality and quantity of reaction as did the exposure draft issued last August. The comments and suggestions from the membership of the Academy provide the sounding board against which the various ideas presented in the drafts must be struck. Personally, I have the additional hope that the drafts will elicit the same level of thought-provoking discussion among Academy members as they did among the committee members. In addition to giving greater assurance of the best possible final product, the process of discussion in itself will undoubtedly improve the quality of the professional service provided by the actuaries of the country.

CHAIRMAN McGINN: Next, Bob McCarty will express his views concerning the need for actuarial principles and practices and, specifically, the inroads on the actuary's independence which seem to be arising as a result of ERISA.

MR. ROBERT W. McCARTY: Our topic today seems to presuppose that it is definitely desirable to develop guides to actuarial principles and practices for pension plans. While I doubt that anyone in this room would disagree with the premise that it is desirable — as long as each of us reserves to ourself the right to define exactly what we mean by "guides"-- it is really a matter of degree. Certainly most of us would endorse the need to have an up-to-date textbook to handle the teaching function for pension actuaries,

particularly the students. As a matter of fact, probably not too many would disagree with Section 302(c)(3) of ERISA which requires that pension fund calculations "be determined on the basis of actuarial assumptions and methods which, in the aggregate, are reasonable (taking into account the experience of the plan and reasonable expectations) and which, in combination, offer the actuary's best estimate of anticipated experience under the plan".

On the other hand, if the guides were to transcend these basic concepts, it appears to me that we are treading on rather dangerous grounds. Consider, for example, a "guide" which might require the use of an interest factor in pension cost calculations of "not less than 5% nor more than 7%." This is not only encroaching on a pension actuary's independence, but could be setting a very serious legal precedent.

As an insurance company actuary involved with pensions, including equity products, I already feel surrounded and stifled to a great degree by a multiplicity of regulation. First we have the individual State insurance codes and insurance department regulations. This, of course, is compounded by the number of states in which the company is licensed to do business. Where equity products are involved, there's added enjoyment in attempting to meet the ever-changing requirements of the Securities and Exchange Commission. Finally, the pleasures of working with the Internal Revenue Service (and the variety of approaches which can be invented by each local office) complete the picture. But, with ERISA, we can now add substantial regulation by the Department of Labor.

Now I ask you - to all of this do we want to add even further "regulation" by requiring adherence to published guides? Remember that ERISA itself has taken much of this entirely out of our hands. A few examples are:

1. The permissible cost methods are now defined by law.
2. Amortization periods for unfunded liabilities and gains and losses are limited and contribution levels must be measured against minimum standards via the Funding Standard Account.
3. The plan's funding policy must now be formally set forth.
4. The maximum time span which may elapse between valuations is now set by law.

There are also a number of indirect limitations in ERISA which will serve to guide pension actuaries. Some of these are:

1. Required plan provisions in the area of eligibility, vesting, joint and survivor annuity benefit, etc.
2. The multitude of reporting requirements, including the requirement of advance notice to the IRS of a change in actuarial cost method and/or assumptions.
3. Standards for valuing plan assets.
4. The ever-present specter of fiduciary standards.

Of course, the lists of legislated restrictions goes on ... and on ... and on. It may be that, with ERISA, we already have sufficient "guides" to actuarial principles and practices for pension plans and further development would unnecessarily restrict pension actuaries in making responsible decisions

Another consideration is our Guides to Professional Conduct of the Society and the Academy which state (Guide 1(b)):

> "The member will bear in mind that the actuary acts as an expert when he gives actuarial advice, and he will give such advice only when he is qualified to do so".
>
> (Emphasis added)

This position is amplified by the Academy's Opinion A-5 which discusses the qualifications to give advice in a specific situation. Further, it seems that this concept of being qualified is fundamental to ERISA's education and experience requirements for an "enrolled actuary". However, is it not possible that the availability of sufficiently detailed guides would entice individuals not otherwise qualified in pensions to become practicing pension actuaries. In other words, I believe that care must be taken to leave the judgment as to what is appropriate in a given case to the experienced pension actuary and not constrain this judgment with guidelines that are too restrictive.

Earlier, I mentioned a possible additional legal liability and I would like to explain a little more fully what I had in mind. Any specific actuarial principle or practice for pension plans which is adopted by the Academy will tend to become a dictum - in a sense, a pension law for the pension actuary. While it may give comfort, and could actually afford some legal protection in cases where it is followed, consider the dangers inherent if, for whatever reasons, it is not followed. Failure to follow the published practice would, it seems to me, greatly enhance the legal liability of the actuary, in spite of the fact that he used methods and assumptions which, in the aggregate, were reasonable to him.

In summary, I believe that the desirability of developing a guide to actuarial principles and practices for pension plans rests mostly with a definition of the task. We have already had substantial guidelines legislated - most of which I feel are quite reasonable and likely even necessary to preserve the future of private pensions in this country. However, to go beyond this point and develop more specific - and likely more restrictive - guides should be avoided since it could destroy the pension actuary's ability to exercise sound judgment in solving his problems. At the same time adoption of specific guides could encourage non-actuaries to enter the field. And, finally, with guidelines above and beyond those in ERISA we have a distinct added danger of increased legal liability. I feel that any formal guides must be developed cautiously, if at all, or there will not be any more pension actuaries, just pension automatons.

CHAIRMAN McGINN: There seems to be some confusion as to what is the nature of the principles that we are talking about. Tom Malloy will discuss his views of the possibility of a "core" of fundamental principles and practices.

MR. THOMAS M. MALLOY: Two relatively interrelated phenomena lead me to favor the publishing of Actuarial Principles and Practices as they relate to Pension Plans. Firstly, principles and practices in this area have the appearance of folklore, with many actuaries learning their trade from the people they work with (or for), with little formal guidance as to what is acceptable practice. Secondly, and probably as a result of the first point, we have all observed a history of IRS, accountants and other legitimately-interested third parties reaching conclusions and making statements with respect to actuarial principles and practices which become "generally accepted" with little or no validation by the actuarial profession.

Two examples may illustrate this:

The Internal Revenue Service has traditionally opposed the explicit assumption of future inflation in the construction of salary scales. We have been told that the American Academy of Actuaries is about to release a draft guide to actuarial practice which discusses inflation and which may well lead one to the conclusion that a particular Revenue Ruling may have been good IRS policy, but that it was not necessarily good actuarial practice.

A second example: The Pension Commission of Ontario has recently released a statement relating to the "Valuation of Pension Fund Assets for Actuarial Valuations." Among other things, the Commission states that equity assets may be valued on several different bases so long as their value did not exceed current market value. The paper seems to reflect a position of immediate recognition of losses and spreading of gains. This may be good accounting practice, but I am not convinced it is good actuarial practice.

I feel that published Principles and Practices for Pension Plans are a necessary complement to an Actuary's professional training and day-to-day activity. They should serve the following purposes:

1. Provide a basic set of considerations to be made as one performs a particular procedure.

2. Identify those items in a procedure that have to be resolved by the exercise of professional judgement.

3. Provide a basic understanding to the interested third party, as to what he can expect an actuary to produce, and what constraints or disciplines his profession imposes on him in carrying out his obligations.

"Principles and Practices" should be statements of usage; guides to the practitioner in the conduct of his affairs. They should not be construed as a vehicle for basic education in the profession; neither should they be a procedural "cookbook"; nor should the publishing of such principles serve as a refuge or haven for someone who wants to avoid the exercise of professional judgement in recognizing exceptions.

Let me state a basic premise or two which I believe are the foundation of any principles that may be published.

First, we all have our own principles and practices by which we are guided in the day-to-day execution of our respective duties. We have all seen the same (or similar) problems. We have made judgements based on our

knowledge of actuarial theory, and we have arrived at certain principles which guide our activities.

I would suggest that, if we were to lay out all these individual guides, there would be discernible some irreducible "core" of principle and practice to which we all adhere.

When this core is written down, however, we run some risks:

Personal nuances and individual choices get lost, and practitioners will tend to resist the oversimplification that results. Someone will always feel "out of step" - out of the actuarial mainstream.

I think it's important to note that we are talking about "generally accepted principles and practices." The very phrasing implies that not everyone will accept every statement, all the time. An individual must validate his own position against the judgement of his peers, but he then must exercise his professional judgement as to what principles apply and how should they be interpreted in each concrete situation.

Let me finish by posing a few questions which we should all continue to work on; I don't think any will be fully answered in the near future.

How does the observance of such principles and practices relate to questions of professional conduct?

Should principles and practices be limited to broad statements or guides to conduct, or should they be specifically directive in their structure and content?

What is the balance between the need to adhere to such guides and the individual's obligation to make exceptions when warranted?

To what extent should principles and practices deal with the nature of disclosure when exceptions are made?

CHAIRMAN McGINN: Should there be guidelines for a pension actuary if he believes that "reportable events" under ERISA have occurred and the employer who retains him disagrees? For example, if the actuary knows of a planned shutdown of a plant and the corresponding termination of a substantial number of employees, is the actuary required to reflect that knowledge in his actuarial certification and his actuarial report - especially if the shut-down is not to occur for one or two years?

MR. ROBERT W. McCARTY: I believe that the planned shutdown of a plant is a definite "reportable event" as set forth in ERISA. It seems, then, that in this particular case the actuary really has very little choice but to disclose the event. And, as a likely cofiduciary, he must see to it that the Administrator files the event immediately - he really cannot wait to accomplish this in his actuarial certification.

However, I cannot help but think that any attempt to fully itemize what constitutes "reportable events" which we feel should be disclosed (above and beyond the itemization in the law) would tend to entrap us at some time in the future. If the actuary felt that an event was reportable, but it was not covered by the guideline, he would have little force to feel that the event

should be reported. And, I suspect that his legal position is also rather tenuous in the event he were to be sued by his client.

Both the Society and the Academy have far-reaching Guides to Professional Conduct (and amplifying Opinions) which seem to adequately cover this situation. The development of a guideline above and beyond what we already have would just be another step in the development of the "prototype pension actuary" - one who is preprogrammed with little allowance for flexibility, initiative or judgment. I suggest that what we really need to explore is to find a way to ensure more efficient enforcement of our Guides and Opinions.

CHAIRMAN McGINN: Under ERISA, the actuary is retained on behalf of plan participants. Consequently, do actuaries need ethical guidelines in addition to technical guidelines? To the extent that an actuary is deemed to be a fiduciary, does he have the responsibility to truly communicate his knowledge of the funding of a plan to employees in addition to the employer who retains him?

MR. BLACKBURN H. HAZLEHURST: To my mind, one of the joys of employee benefit consulting has been the relative absence of conflict of interests. To the extent we design an effective program for plan sponsors, by so much it is generally an effective and satisfactory program for plan participants.

Even after ERISA was signed, I had thought that actuaries could fill the dual role of advisors to the plan sponsor and enrolled actuary for the plan, with a fair amount of ease. It seems to me that the circle of strategies suitable for use in advising the plan sponsor has a high degree of overlap with the circle of strategies suitable for use by an enrolled actuary.

However, based on some of the comments being made at the head table, I wonder if this dual role can be sustained as long as I thought. This afternoon we were hearing people suggest that all significant information put in the hands of the enrolled actuary must be disclosed by the enrolled actuary to the plan participants. Evidently, this is based upon the assumption that the plan's enrolled actuary is a fiduciary and therefore under the law "shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries ...".

Suppose we consider a steel pattern plan under which special obligations ensue in the event that one or more plants are closed down. Suppose the plan sponsor comes to the actuary and enquires about the magnitude of obligations the plan sponsor would face if he closed down two plants where he has been having continuing problems. This would seem a normal question for the plan sponsor to ask and for the actuary to answer.

Now suppose the actuary soon thereafter is asked to prepare a report as an enrolled actuary for the plan. Suppose further that the possibility of shutting down one or more plants is highly confidential information that could be quite damaging to the plan sponsor if released untimely. What is the enrolled actuary to do when responding to the question under the law which asks him to state "such other information as may be necessary to fully and fairly disclose the actuarial position of the plan"?

I would have thought that every actuary could have maintained his dual role by stating very clearly in response to this question that he had not taken into consideration the possibility that any plants might shut down.

Obviously, the exact nature of the qualification, or whether such a qualification is sufficient in lieu of actually anticipating that the plants will close down, is a matter of judgement depending on the circumstances in the particular situation. However, my point is that I would have thought it unnecessary to make disclosure to participants of every interesting scrap of information the actuary may come across, as if the actuary were an advocate of the participants.

If this is not the case, and the enrolled actuary for the plan must act as an advocate for the plan participants, seeking out all possible interesting information, and promptly disclosing this to participants, perhaps in a manner deliberately aimed at promoting the interests of the participants at the expense of the plan sponsor, then I think the actuary should make a clear statement to the plan sponsor before this kind of thing gets started. This statement would be to the effect that the plan sponsor should expect this kind of treatment from the enrolled actuary, and should not give the enrolled actuary for the plan any more information than the plan sponsor is willing to have carried forward clearly to participants and, of course, no less information than the plan sponsor should make available in the light of his own fiduciary responsibilities under the plan.

This would mean that there should be at least two actuaries. One actuary would not be acting as an enrolled actuary for the particular plan, and would be free to act as an advisor and confidant to the plan sponsor. A separate actuary would be the enrolled actuary for the plan and would owe his allegiance very strongly to participants. Perhaps, in this perspective, ERISA would be viewed as denying the overlap area of the two circles of strategy that I have referred to as satisfactory ground for either actuary. Thus, the plan sponsor's actuary should favor the more extreme strategies particularly suitable to the plan sponsor even though not in the circle of strategies normally suitable for plan participants, and similarly, the plan's enrolled actuary, should in this particular scheme of things, advocate the more extreme strategies suitable especially for plan participants, even though not particularly suitable strategies for the plan sponsor.

In this view of things, it would also seem that no employee and especially no officer of the plan sponsor should serve in any kind of fiduciary role for the plan because of the obvious conflict of interests of that person between his obligations to his employer and his obligations to the plan participants under the law.

There is a logic to this, and perhaps we are drifting in this direction. However, I rather hope we haven't gotten to these stages just yet, if for no other reason than because we do not have enough actuaries to man all these stations. Nor presumably are plan sponsors ready to abandon all decision-making power with respect to the existing plan structure to outside professional fiduciaries at this time.

In any case, I believe the actuary should declare his philosophy very clearly before he proceeds any further with a plan sponsor. If he is going to try to play a dual role and if he feels he can do this by sticking to the area of strategies that are suitable to both the plan sponsor and the plan participant, then he should say so. If, on the other hand, he is going to be an advocate of the plan participants and expects to prefer strategies, including disclosures of information, that are particularly suitable to the interests of the plan participants regardless of the interests of the plan sponsor; then he should so nominate in advance. Similarly, if he is only prepared to advise

the plan sponsor, and is unwilling to have his work used as being that of an enrolled actuary for the plan in question, he should so declare.

Further, the actuary acting as the enrolled actuary for the plan, should accept a considerable professional responsibility when he prepares a report disclosing the actuarial position of the plan. This responsibility should include the actuary's appraisal of assets in a perspective consistent with the actuary's appraisal of liabilities, and should include a reasonable appraisal of liabilities with due regard for all facts and circumstances the actuary may deem suitable under the circumstances involved, which may include assumptions relative to the changing character and size of the group, as well as assumptions with regard to the specific present participants of the group.

In my judgement, all this also means that the actuary should take care to abide by the Guides and Opinions which seem to me to say that he should not allow portions of his report to be abstracted, for example, by accountants, to be set in a context designed by a second party to be used in advising a third party, unless the actuary designs and signs the abridgement of his report.

In short, the actuary should declare his philosophy in advance; should prepare his reports thoughtfully with a full overview of the situation in mind; and should resist abstracts of his report in a manner that may be against the public interest to the extent that the abstract may mislead a third party for whom the nonactuarial report is being prepared.

CHAIRMAN McGINN: If actuaries cannot agree to a core of fundamental principles and practices and continue, as I believe we have, to be pragmatic in selecting actuarial factors and cost methods to fund plan benefits,

(a) won't the end result produce a lack of public confidence in the professionalism of actuaries?

(b) won't plans continue to be terminated with resulting loss of benefits by employees and increasing bureaucratic control over funding, actuarial assumptions and methods?

(c) won't we ultimately be faced with the demise of private pension plans as we know them?

MR. ROBERT W. McCARTY: According to the question, we have already been pragmatic in our selection of actuarial factors and cost methods. (It is interesting to note that one definition of pragmatic is "practical".) If we have been practical in our previous selections, then I think that we have already done much of what is expected of us.

To date, I have not detected any erosion in public confidence in actuaries. To the contrary, I have noted a significant increase in respect on the part of many with the advent of ERISA. As long as we continue to operate in an ethical and professional manner as required by our By-laws and Guides (not to mention ERISA and other regulatory requirements), it seems doubtful to me that there will be a slackening in our public confidence.

The second part of this question raises the specter of ever-increasing bureaucratic controls over actuarial assumptions and cost methods. ERISA, of course, already accomplishes much of this, and with plan benefits now being partially protected through Plan Termination Insurance, I think we will see

substantially less pressure for corrective action along these lines in the future. This, of course, is not meant to condone the use of methods or assumptions which are inappropriate, but I still feel that the choice of methods and assumptions must be left to the judgment of the pension actuary. As long as we remember that we have a responsibility to the public, there seems little reason to have substantially increased controls.

The third facet of this question indicates that, unless we develop strict guidelines, private pension plans appear to be doomed. I guess we have all heard these doomsday prophecies for many years, but I certainly have not noted any decrease in the private pension sector. I believe, however, that this part of the question does have a converse: If we do adopt extensive guidelines for actuarial principles and practices for pension plans, won't we be faced with the ultimate demise of pension actuaries as we know them?

CHAIRMAN McGINN: In 1972, the Society of Actuaries' Committee on Pensions listed four general categories of alternative ways to develop a Guide to Actuarial Principles and Practices for Pension Plans. They were:

(a) Reliance on professional education and accreditation,

(b) Disclosure, certification and presentation of valuation results,

(c) A statement of generally accepted and recognized principles, and

(d) A textbook for actuarial students or other specialists.

With the introduction of ERISA, these alternative methods to devise a Guide to Actuarial Principles and Practices no longer appear to be alternatives but, rather, complimentary methods by which the pension actuary may survive. The actuary needs the textbook to educate the young, a core of principles and practices by which to operate, <u>and</u> he should begin to disclose fully all information which may bear upon the sound funding of pension programs. With these three elements, I believe we will have the fourth alternative as a by-product, reliance on the profession by the public because of education, accreditation and earned respect as a true profession.

If the actuarial profession cannot agree to a core of fundamental principles and continues, as I believe we have, to be pragmatic in selecting actuarial factors and cost methods to fund plan benefits, we face a number of adverse results: the loss of public confidence in the professionalism of actuaries, a continuation of plan terminations with the loss of benefits by employees, increasing bureaucratic control over funding and over actuarial assumptions and methods, and, ultimately, the demise of private pension plans as we know them.