

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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**DIGEST OF DISCUSSION OF REPORT OF COMMITTEE
ON THE FUTURE COURSE OF THE SOCIETY**

PRESIDENT GILBERT W. FITZHUGH: As you know, the Board of Governors has adopted the recommendation that there be an amendment to the Society's Constitution on the question of whether, and to what extent, the Society or its Board of Governors or any committee thereof should take a position on a public question which is relevant to our profession.

MR. DAVID YANIS: Yesterday, at the meeting on actuarial principles on private pension plans, the issue was raised of whether the Society should take a position on generally acceptable actuarial practices in the private pension field.

I was disturbed to hear several actuaries express the opinion that it is all right to prepare a textbook on this subject, but it is not all right to prepare a handbook containing recommendations regarding generally acceptable actuarial principles. In my opinion, this kind of thinking can only lead to a weakening of the actuarial profession. If we cannot agree on what are acceptable actuarial principles, some other organization will step in to fill the vacuum.

MR. DONALD S. GRUBBS, JR.: Mr. Klem, could you suggest some specific things upon which you think that the Society might appropriately have taken a stand during the last five years?

MR. WALTER KLEM: Might we not deal, instead, with some of the very matters that have been referred to in this morning's panel session? Some weeks ago Secretary Wirtz of the Labor Department asked that a group of actuaries meet with an interagency task force of our federal government, and I understand that some of the members of the Society's Committee To Study Pension Plan Problems have done so. The task force is dealing with such questions as the funding of pension plans and vesting, with a view to national legislation. This whole situation could possibly lead to a question of testimony by actuaries before a congressional committee.

Under the proposed procedures, it would be possible for the Board of Governors to take action that would enable a committee of actuaries to prepare testimony to be given by the chairman of the committee or,

if it were important enough, by the president of the Society, speaking for the Board of Governors.

MR. ALFRED N. GUERTIN: It is the practice of the National Association of Insurance Commissioners to appoint committees from time to time to accomplish certain things. These committees are sometimes supplemented by actuarial advisory committees, which usually consist of members of the Society. The members of these committees serve as individuals and express their own personal opinions. Because of the restrictions which we have had, they have not been able to go to the Society to secure guidance.

I see in the proposed amendment the possibility that, when actuarial matters are involved, such committees could come to the Board of Governors to secure specific guidance that would be expressive of the views of the profession.

MR. HENRY S. BEERS: I have not heard any question on which I think it would be a good idea for the Society of Actuaries to pretend that it could express the opinion of the entire Society.

Looking back into the past, I think that it would have been unfortunate if the Actuarial Society had expressed an opinion in the early days of the discussion on whether the American Men Mortality Table should replace the American Experience Mortality Table. I do not think that it would have been desirable for the Actuarial Society to have expressed an opinion in the early days of social security as to whether the program should be fully funded or not funded at all. I do not think that it would be desirable today for the Society of Actuaries to express an opinion on whether vesting should be required as a condition of a certain tax treatment in connection with income taxes and pension plans.

From whom would you get such an opinion? If you took a vote of the whole Society, the results might be 3 to 1 in favor, with 70 per cent not voting. Or, if 70 per cent voted, the vote might be quite close. A great many of the Society's members have no very well formed opinion on the subject. Also, a number of the members who are best informed may have a conflict of interest. For example, a number of their pension clients neither have nor want vesting clauses, and they might not appreciate their consultants or the officers of their group annuity carrier expressing opinions in favor of vesting requirements.

MR. DAVIS H. ROENISCH: I would take issue with Mr. Beers. I do not believe that we can get a unanimous opinion, but there still is a necessity to make a statement.

I would, however, like to raise several questions. Has any thought been given to how these committees are going to be set up? How do you either poll all the members or find out who the interested members of the Society are? What room is there for a dissenting opinion? What form will the opinion of the Society take? Is there any way to circumscribe an issue, so that our discussion and opinion can be purely actuarial and not at all political?

I think that the mechanics of the Society's expression of an opinion should be considered carefully, since in a great many cases the way in which this is done will determine whether or not we think it should be done.

PRESIDENT FITZHUGH: I think Mr. Roenisch has put his finger on the most difficult task the Board of Governors will face, assuming, of course, that the Society votes affirmatively on this amendment.

I think that it will be impossible to determine such procedure in advance. It would depend, in each instance, on the particular situation.

MR. KLEM: I would like to add, in respect to the matter of polling the members, that it was not thought that we would often attempt to get the views of all the members of the Society. As Mr. Beers said, any statement made would more likely be a statement of a committee appointed and authorized by the Board of Governors or, in a matter of more major concern, a statement of the Board of Governors itself. The matter of polling the whole membership is not one that we thought very practical, but we did not think that it should be barred. The possibility would be there if the situation demanded.

If it should ever happen that a vote of the Society turned out to be, say, 60 to 40, I have every confidence that the Board would not publish the result as the opinion of the Society. If any statements were to be made in the circumstance of such a small majority, they would almost certainly reflect with equal emphasis the minority views. Similarly, I think that a closely divided committee would not make only a majority statement.

MR. ROWLAND E. CROSS: I have a question concerning the duration of any opinion stated by the Society. If an opinion were given on a particular public issue, would it be specified that it applies only with respect to that current matter, or would it be a general statement that would stand as the opinion of the Society for future application in apparently similar situations?

I also have some doubts as to the implication that this may have for

the Ethics Committee. In the Medical Society controversy a few years ago, certain doctors took some controversial positions on highly charged issues such as therapeutic abortion, euthanasia, and so on. The AMA Ethics Committee, I believe, asked them to resign and threatened to drop them if they would not resign. I think that this attitude was rather severe, considering that these people presumably took their positions on the basis of conscience.

I was wondering whether people, who take positions sharply contrary to those adopted by the Society and promulgated as its opinion, will in any way encounter difficulty with the Ethics Committee of the Society, and under what circumstances resignation or termination of their relationship with the Society might follow as a consequence.

PRESIDENT FITZHUGH: I think that this is entirely a matter of whether we have confidence in the Board. I am sure that they would be careful, in each instance, to make plain whether an opinion was to last for all time or whether it was designed for a particular situation. If the members of the Society feel that the Board would not use its judgment properly, then they should vote "no" on the amendment.

I am also sure that there is no thought that the committee's or Board's authority would extend in the remotest way to anyone who disagreed with a committee report that came out. If there is any possible loophole in the language, I am sure that Mr. Klem would want it to be made very plain that, even if an opinion is expressed by the Board of Governors, no member of the Society is precluded from expressing a contrary opinion.

MR. E. S. JACKSON: The Society of Actuaries is an international society of Canadian and American actuaries. Yet it is likely that the cases in which the Society will wish to make some statement will cover national issues. If the national issues are Canadian, it would appear appropriate that the national organization of actuaries in Canada, namely, the Canadian Institute of Actuaries, should consider them. This prompts the thought that, if the national issues are American, it might be appropriate for the national organization in the United States of America, the American Academy of Actuaries, to consider them. While this may not be feasible at present, it does raise the question for the long term.

American actuaries may be interested in the action taken by Canadian actuaries in recent years. After a lengthy discussion at a meeting of the Canadian Association of Actuaries in December, 1963, the Association adopted the following resolution in February, 1964:

Resolved, That the Canadian Association of Actuaries shall consider in the following manner suggestions that it provide information or submissions:

1. The matter should be brought to the attention of Council who shall decide if the subject is properly within the special competence of actuaries and, if so, whether or not a reply or report should be made.

2. If Council decides that a reply or report should be made, it shall appoint a committee of members suitably qualified and representative of the membership if possible, and request that a report be prepared.

3. The report, together with any dissents, shall be considered by Council who shall decide whether the report is suitable and, if so, the Secretary shall submit such report, stating clearly that it has been made by the committee whose names will be appended, including any minority report or dissent, also with identifying names. Copies of the report shall be circulated as soon as conveniently possible to the membership.

4. Any report not submitted shall be presented at a subsequent meeting of the Association.

Following the adoption of this resolution, the Council of the Association asked the Social Security Committee to prepare a report regarding the Canada Pension Plan. This committee recommended that the Prime Minister be urged that the Joint Committee of Parliament should have broad terms of reference and should be empowered to obtain factual information. The president of the Association advised the Prime Minister by telegraph that members of the Social Security Committee acting in a personal capacity had made this recommendation. The telegram was not acknowledged.

On only one other occasion has the Canadian Association of Actuaries or its successor, the Canadian Institute of Actuaries, considered acting on the 1964 resolution. At a meeting in December, 1964, it was moved that the president of the Association appoint a committee for the purpose of preparing an Association brief for presentation to the Joint Senate Commons Committee on the Canada Pension Plan. The motion was defeated.

MR. SAMUEL ECKLER: We have had very lively discussions in the Canadian Institute of Actuaries on this very issue. In one situation in the Canada Pension Plan discussions, it was resolved that individual actuaries should be encouraged to present briefs to the Joint Parliamentary Committee on the Canada Pension Plan in Ottawa. Many of them were more than encouraged—they were almost pushed to do this. The results of this encouragement were rather good. Six or seven actuaries made independent presentations to the Joint Parliamentary Committee. Many of these were life insurance company representatives, and even

some of these made statements that differed from the life insurance company position.

One of the difficulties with an official position being taken by a group such as the Society is that its members represent consultants, life insurance companies, unions, governments, and so forth. It seems to me that, if you attempt to get some unanimity among all the members who express an opinion, you will either get a completely useless opinion or one that is so highly charged that it might harm the situation and antagonize many people.

My opinion on this is that we cannot remain silent. I think that we should make our views known as individuals; but as an organized group we can do a great deal in a few areas without expressing opinions on highly charged political issues. You would be surprised to hear how many issues that you may consider very objective and mathematical that other people consider social and political. Therefore, I think that we should approach the whole issue very gingerly, so as to make certain that we do not harm the profession.

I can think of two things in particular where we might help. One is to aid in definitions of certain things. There is so much thrown around about solvency, about reserves, about many, many questions that occur to all of us. I think that the official actuarial bodies could be of tremendous help in defining such things. Along these same lines, an official actuarial group could help by clarifying issues and indicating the implications of particular positions on these issues without necessarily selecting any one position.

MR. ROBERT J. MYERS: I very much hate to disagree with Henry Beers, but I do think, looking at the past, that it would have been very helpful and very desirable if the predecessor bodies had taken a position on some social security matters. In the very beginning, when there were so much discussion and controversy over whether there should be partial reserves or full reserves or no reserves, it would have been very helpful for the Society to have made a statement at that time.

Over the years there have been many misstatements of what is meant by actuarial soundness or whether a social insurance plan should be financed in the same manner as a private pension fund or an insurance company. I think that the Society of Actuaries could have come forth with a scholarly statement on this in the same way that Dan McGill did. He set forth both the pros and the cons, but he did come to certain conclusions that I think were generally accepted.

As I conceive the proposed amendment, there is no thought on the part of the Society of getting into the other areas of social security. For example, no position, either for or against, would be taken on proposed benefit increases or on proposed expansions into new benefit areas. These questions just do not seem to me to be anything that the Society could properly take a professional opinion on. On the other hand, there might be an occasion in the future when the Society could properly take a position on the financing aspects of social security if a completely new financing basis were proposed. Similarly, if some administration took office and attempted to either muzzle the actuaries or force them to make "favorable" estimates, then the Society should certainly speak out.

MR. RICHARD HUMPHRYS: I personally have great reservations about the proposal that is going to be put before us. I feel that the essential actuarial questions are not the ones that have given rise to the heat and controversy. In this, I share the view that Sam Eckler expressed.

It has not been my experience that the purely actuarial problems are the ones which cause the difficulties. The difficulties arise from the overflow of problems that are really an integral part of the social and political philosophy. While actuaries, because of their special training and their work in pension fields, probably appreciate the implications of some of the features of a pension program more than other people, I think that the issues giving rise to the problem are essentially political and social.

For this reason, I am rather nervous that an amendment such as this, if it were adopted by the Society, would indicate the adoption of the principle and philosophy that the Society should speak on certain questions. When we attempt to use the new authority, though, we may find that it has vanished under our hands and we cannot really identify circumstances in which we can use it successfully.

It usually happens that, when a committee goes before a legislative body to testify, it can describe the mandate that it has, the body that it represents, and the limitations of the views that it intends to express, but the question may not be so limited. The interpretation of the legislative body would be that the answers given in the exchange are answers on behalf of the body represented by the committee.

Another thing that should be kept in mind is that there is a very strong trend on the part of government at all levels to seek professional actuarial advice on actuarial matters. This trend has been growing over the years. I do not think that there is anything about it that should give actuaries reason to fear that they are going to be pushed aside and either muzzled or ignored.

MR. DORRANCE C. BRONSON: I am inclined, right now at least, to be the devil's advocate along with Henry Beers, an old confrere from Hartford, and be a little dubious about this proposal, but I would like to offer a possibly constructive solution. When these policy-type issues come up, the Society, the Casualty Society (if involved), the Conference of Actuaries, and, if within its purview, the Fraternal Association, might appoint a joint committee to study the matter; or, alternatively, let it be an Academy Committee wholly. Whichever it might be, they could be perfectly frank and state that they did not represent, officially, any one of the four organizations but had the function of making studies of matters of this kind.

We had a joint type of ad hoc committee for the D-2 form, the last go-around, and I think that it worked out very well in collaboration with the disclosure law people. Then, prior to my appointment to a term on the advisory council for the disclosure law, it was Andy Webster, as the Society President, who sparked the thing by writing letters to the other three groups and getting, from all four, agreement and letters to the Department of Labor with three names in nomination for the post.

When I advised our President Fitzhugh earlier this year that my term on that council was nearly up and that I would like to see the actuaries submit some more names in nomination, he deemed it appropriate not for the Society to do the work the way Andy had before but, since the Academy was established, to make it the province of the Academy to proceed with presentations of the new nominations. Unfortunately, we did not get an actuary this time, because they felt, apparently, that some other groups deserved a turn.

The point of my example is, I trust, obvious. It is that means exist through the Academy, or through joint committees, to relieve the Society of the responsibility for obtaining authorization from all the others and of undertaking the otherwise considerable work load.

MR. DAVID LANGER: I am in full agreement with many of the warnings that have been well expressed by Mr. Roenisch, Mr. Beers, the Superintendent of Insurance of Canada, and others about the great difficulties and the dangers involved.

I think that what they have said can be amply illustrated by the experience of the American Medical Association. There, a politically conservative group has taken control of all the machinery for unified expression of opinion, and, as a result, the prestige of the AMA as a professional association has seriously declined. There are many people in the country and in the Congress who now look askance at anything

that the AMA says because of the extreme views expressed, for example, in vitriolic attacks on social security and Medicare.

As a second highly relevant illustration, I would like to cite some recent events in New York State. An actuarial committee for the ALC, HIAA, and LIAA prepared an analysis which strongly attacks the state's Medicaid program. I have made a detailed study of the analysis, which I reported on to the group insurance session yesterday. I stated my belief that the committee's analysis is both incorrect and misleading. There is little question in my mind that the trade associations' attack on the Medicaid program was at least partially inspired by politically conservative factions.

Taking both these experiences into account, I think that fair warning has been served as to the pitfalls involved in any future undertaking such as we are discussing here today.

MR. JOSEPH W. MORAN: We should consider what will happen if the Society does not give itself the privilege of speaking out as a Society. Actuaries in their roles as conscientious citizens frequently develop ideas that reflect sound actuarial thinking on controversial topics, but these ideas are presented to the public through channels other than Society representation. Many of these ideas go far beyond what outsiders might consider the "narrow" perspectives of insurance companies but are viewed with antagonism by others because they are presented by these actuaries in a role as representatives of insurance companies or trade associations. I think that we will communicate more effectively if we are able to speak as representatives of the Society.

Will the Society be free to speak out on matters at a state level or only on matters of national concern? Mr. Myers referred to the possibility that a government organization might speak out on actuarial matters without the benefit of actuarial analysis and opinion. We have to recognize that this has already happened in New York on Medicaid.