

**TRANSACTIONS OF SOCIETY OF ACTUARIES
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PANEL DISCUSSION

**PARTICIPATION OF ACTUARIES IN GOVERNMENTAL
ADVISORY GROUPS**

MR. CHARLES A. SIEGFRIED: At the outset I would like to emphasize that I would feel more at ease on this program if I could point to more tangible accomplishments flowing from my association with advisory groups than seems possible at this time.

ADVISORY GROUP ON TAXATION

My first experience with advisory groups dates back to 1954 in the early days of the Eisenhower administration. Tax reform on a broad front seemed to be under consideration. The field of pensions and employee benefits and group insurance presented some apparent tax anomalies, and it was thought by some that it would be desirable to bring together a group of people who had a broad exposure to these questions to see what could be done to bring about an improved situation.

Accordingly, about half a dozen persons assembled to discuss the issues with members of the administration. They represented the points of view of employers, tax experts, banks, the academic world, and insurance. We had a number of sessions which were informative, although I believe the possibilities for change diminished the more we talked. The end result disturbed me for the reason I shall explain.

Prior to 1954, wage continuation payments made by an employer to an employee were being subjected to federal income tax under the Internal Revenue Code of 1939. On the other hand, accident and health insurance benefits provided by an employer under a group policy were specifically tax-exempt. This seemed like an appropriate state of affairs to me, and I was deeply concerned when I realized that I was a member of a group that might be influential in changing this situation adversely to insurance. Some of my company colleagues shared my concern, and we undertook to report to our chief executive, LeRoy A. Lincoln. Mr. Lincoln listened to my story, and after I finished he remained quiet and thoughtful for what seemed a long time. Then he said, "Charlie, we've waited for a Republican administration for sixteen years. If giving up this advantage we have had is a price we must pay, I think we should not resist it."

The end result in the Internal Revenue Code of 1954 was a change in the statutory language which removed what was regarded by some as an

unfair inequity against noninsured wage continuation plans and provided the same income tax treatment for both insured and noninsured benefits.

As it subsequently transpired, however, there was really no inequity to be remedied. At the time the 1939 Code was being revised, there were already cases pending in the federal courts seeking to have the Code language construed to apply the exemption to noninsured as well as insured plans. In 1957, one of these cases (the *Haynes* case) got to the United States Supreme Court, which held that under the 1939 Code wage continuation benefits were excludable as "health insurance," even though the employer's plan did not contain features present in normal commercial insurance, and the Internal Revenue Service conformed its policy to the rule of that case. Thus I think we should acknowledge that the insurance companies really did not give up any "advantage."

Therefore, although I have a letter of appreciation for my participation in this activity and although I gained some insight into how changes are brought about, I am very much aware of the ambiguous nature of this experience. This is not the place to discuss it, but I find it interesting and puzzling to note that, in eliminating one kind of anomaly or inequity, another one was created. I have in mind the fact that insured plans continue to be subject to premium taxes by the states, although noninsured plans, which have the same status at the federal level, are not subject to state taxes. But this is part of one's learning experience.

ADVISORY COUNCIL ON EMPLOYEE WELFARE AND PENSION BENEFIT PLANS

The Welfare and Pension Plans Disclosure Act was originally effective January 1, 1959. Subsequently, amendments were enacted on March 20, 1962, to make provision for, among other things, an Advisory Council. The provisions of the Act relating to the establishment of the Council and to its duties are as follows:

There is hereby established an Advisory Council on Employee Welfare and Pension Benefit Plans (hereinafter referred to as the "Council") which shall consist of thirteen members to be appointed in the following manner: One from the insurance field, one from the corporate trust field, two from management, four from labor, and two from other interested groups, all appointed by the Secretary from among persons recommended by organizations in the respective groups; and three representatives of the general public appointed by the Secretary.

It shall be the duty of the Council to advise the Secretary with respect to the carrying out of his functions under this Act, and to submit to the Secretary recommendations with respect thereto. The Council shall meet at least twice each year and at such other times as the Secretary requests. At the beginning of each regular session of the Congress, the Secretary shall transmit to the Senate and House of Representatives each recommendation which he has re-

ceived from the Council during the preceding calendar year and a report covering his activities under the Act for such preceding calendar year, including full information as to the number of plans and their size, the results of any studies he may have made of such plans and the Act's operation and such other information and data as he may deem desirable in connection with employee welfare and pension benefit plans.

I was in Durango, Colorado, when I received word that I had been appointed a member of the Council representing the "insurance field." Arthur Goldberg was then Secretary of Labor. One of the top government men who was assigned to work on the activities associated with the W.P.P.D. Act was Frank Kleiler, who recently made a study of pension legislation in Canada that was the subject of an article in the September issue of *The Actuary*. My fellow panelist this morning, Joseph Musher, is also a member of the Council; so you will have two reports on this group.

I am sure you understand the magnitude of private pensions and employee benefit plans without my citing the pertinent figures. The subject is one that affects a very high percentage of all workers and, in one way or another, vitally affects the nation as a whole. The Act reflects an attempt on the part of Congress to deal with certain problems that have been encountered and that potentially may occur in the course of the development and administration of these plans.

It would not be feasible to undertake to describe the course of deliberations of the Advisory Council in its twenty-one meetings over the past eight years, during which time there have been many changes in the composition of the membership. The significant aspect for this meeting seems to be the diversity of viewpoints and interests that prevail in the welfare and pension plans field and the many different types of plans that are in operation. In this situation, a council fills a highly valuable function by bringing to those government people responsible for administering the Act a great amount of information that would be exceedingly difficult to assemble and interpret by any other means. Conversely, I think the members had their sights broadened in a variety of ways, and my feeling is that all those associated with the Council regard it as a desirable and helpful device.

In one way or another all the aspects of benefit plan construction and administration come under scrutiny, ranging from considerations of terminology and descriptive material to accounting and actuarial techniques and investment practices. I feel that the Council always had a sufficiently broad and varied membership that reliable information and expert advice could quickly be made available as various questions came under review. While a great many questions do not involve any actuarial aspects, I

think experience has indicated that it is important and helpful to have actuarial knowledge available, particularly as it applies to group benefit plans.

ADVISORY COUNCIL ON SOCIAL SECURITY

My third experience is with the Advisory Council on Social Security. The present Council, of which I am a member, is the seventh such council. The provision of the Act authorizing its creation reads as follows:

During 1969 (but not before February 1, 1969) and every fourth year thereafter (but not before February 1 of such fourth year), the Secretary shall appoint an Advisory Council on Social Security for the purpose of reviewing the status of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program and the programs under parts A and B of title XVIII, and of reviewing the scope of coverage and the adequacy of benefits under, and all other aspects of, these programs, including their impact on the public assistance programs under this Act.

Each such Council shall consist of a Chairman and 12 other persons, appointed by the Secretary without regard to the provisions of title 5, United States Code, governing appointments in the competitive service. The appointed members shall, to the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public.

Any Council appointed hereunder is authorized to engage such technical assistance, including actuarial services, as may be required to carry out its functions, and the Secretary shall, in addition, make available to such Council such secretarial, clerical, and other assistance and such actuarial and other pertinent data prepared by the Department of Health, Education, and Welfare as it may require to carry out such functions.

The Council has had twelve meetings thus far, and our objective is to produce a report which can be submitted to Congress by January 1, 1971.

Thus far our time has been spent in analyzing and discussing the merits of many different proposals and aspects of the social security program. Discussion is usually based on material prepared by staff which is generally of a high quality. The discussion, however, is wide-ranging and uninhibited and frequently generates enlightening insights.

A curious situation without precedent exists this year inasmuch as the Council is deliberating on social security matters at the same time that Congress is. We still cannot be sure what will be the situation as of the time we are scheduled to report.

One of the unknowns is whether an escalator provision will be incor-

porated in the law. Such a provision, which has been recommended by the administration and inserted in the bill passed by the House, seems to raise questions with regard to cost estimating and financing that did not arise before. Partly for this reason, the Council decided to utilize the authority of the Act to engage technical assistance, including actuarial services. Perhaps I should explain at this point that my appointment to the Council was as a representative of industry. The Act says, "The appointed members shall, to the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons and the public."

Many of you no doubt have read reports of the prior councils. They are fairly indicative of the nature of the work of the Council, and it would be my guess that future reports will be of the same general type.

CONCLUDING COMMENTS

I have assumed that this panel was made a part of the program of this Denver meeting to inform the membership on an area of activity in which some of its members have become involved. Hopefully, this will add to the attractiveness of actuarial pursuits in the aggregate.

I would suppose that, in addition to providing some insights into what these activities involve, it would be in order to provide some judgment on the meaningfulness of these activities to the profession.

As I said at the outset, I would feel more comfortable if I had more tangible accomplishments to which to point. I think it is entirely appropriate to be modest in describing an actuarial role in these matters. On the other hand, I would like to say that activities of this kind offer opportunities for a satisfying type of public service—satisfying because it is easy to see how providing useful information can contribute toward better understanding. This, I believe, has extensive social usefulness. It is satisfying also in a personal sense because of the deeper insight one gains into the affairs of government as well as a deeper appreciation of one's own business.

While I have had concern about the consequences of government's extending its areas of operations wider and wider and becoming deeply involved in the inner workings of complex businesses, I believe that we can expect more movement in this direction and that the likelihood of a move in the opposite direction is negligible. Hence I think the unfavorable aspects of this development are more likely to be reduced if there is sound knowledge on the part of the legislators and people in government.

I believe there is some basis for confidence in our system when I observe the extensive and thorough effort persons in government have made to understand the many facets of pension plans and the many different

varieties of employee benefit plans. I believe some of the efforts I have seen exerted reflect some things that have been learned from the activities of the Welfare and Pension Plans Advisory Council.

There is very little that I can say about the Advisory Council on Social Security at this point. It appears, however, that the record of prior councils strongly suggests that these councils have generated many recommendations that subsequently were incorporated in the law. It is my feeling that there exists within the government and within the structure of Congress a highly expert and well-informed group of people who understand very well the inner workings of the social security program. On the other hand, I am not sure that some in government and the public as a whole have as much knowledge of the system as would be desirable for the democratic process to work in a responsible fashion. I am not sure that as many members of the Society as would be desirable are informing themselves sufficiently on the subject.

Perhaps as a professional Society our interest should not be directed at the relatively small opportunities that come to our members to serve on governmental councils but rather at what devices we might employ to encourage a more intense interest in the many ramifications of the system on the part of more of our members. As you know, receipts from social insurance programs now exceed corporation income taxes in magnitude, and outlays for social security benefits are the largest single item of expenditure in the federal budget other than those for defense. Apart from this magnitude are the many other interesting considerations as to how the system affects our economy, the many activities in the private sector, and the fabric of society generally. It is really a most interesting subject.

MR. J. HENRY SMITH: In January, 1968, President Johnson announced the appointment of the Commission on Income Maintenance Programs. Some twenty-two months later, in November, 1969, the Commission handed in its report and recommendations to President Nixon. In between there was a considerable round of meetings, hearings, field visits, and just plain hard work.

NATURE OF THE COMMISSION'S ASSIGNMENT

The Commission's assignment was a broad one. It was charged with the following duties:

To examine every aspect of our present public welfare and income maintenance programs and to propose necessary reforms. The Commission will examine a number of major reforms proposed in recent years, including several varieties of minimum income guarantees.

MEMBERSHIP

The chairman of the Commission was Ben Heineman, President of Northwest Industries. There were twenty other Commission members covering a fairly broad spectrum from business, labor, government, non-profit organizations, and academe. The minority groups were also represented. All were well qualified; many were outstanding experts on sociology and economics.

My own appointment to the Commission apparently came about because it was felt that insurance people had something to offer and because it seemed to be my turn, inasmuch as a number of insurance executives had served on various federal boards and commissions. I doubt that my membership in the Society of Actuaries as such had much to do with my being selected.

ORGANIZATION OF THE COMMISSION

In the spring of 1968 the Commission was organized, and a budget, work plans, and staff organization were approved. The Commission was "well-heeled." It had a budget of \$1,450,000 for its operations. The money came from HEW and was administered by GSA. Surprisingly, the Commission finished its work well within its budget and returned, I believe, some \$350,000 to the government.

We had a staff of about 50—young, bright, and competent—though I must add that some of them had "way-out" ideas as to what they would have liked the Commission to recommend and to say on various important subjects. More than twenty of them were professional researchers in the social science field. In addition, there were some consultants and researchers to whom work had been "contracted out." The executive director, Mr. Robert Harris, was a most knowledgeable and capable young economist who previously had been a staff member in the Office of the Secretary of HEW.

The staff was divided into four divisions. One conducted econometric research on work incentives and on the labor-force impact of alternative income-maintenance programs. A second division made cost-benefit analyses of existing and proposed programs. A third was responsible for presenting detailed specifications of any proposed programs. A fourth division took care of field hearings, made local arrangements, secured witnesses, and prepared back-up information for questions relevant to the particular localities visited.

PROCEDURE

The first task of the Commission was to acquire knowledge—knowledge about our present, largely unco-ordinated, income-maintenance

systems and about the many proposed alternative approaches. This task was accomplished with the yeoman-like help of the Commission staff, who prepared many excellent background papers on both existing and proposed programs. In fact, as these papers began to fill up the shelves of our bookcases back in the office, there soon arose scattered moans of protest about not having sufficient time to read all the material. But many of these background papers were discussed in detail at the Commission meetings and proved most valuable in furthering our education.

As we reached the later stages of the Commission's life, the staff also prepared position papers for our review and consideration. These, of course, were basic ingredients for our decision-making process and in many cases produced intense debate and discussion.

At one of the earliest meetings, the Commission held two days of hearings in Washington and listened to top-ranking officials of the Cabinet and government agencies with responsibilities in the field of welfare and income maintenance. Each speaker explained the role his organization performed in this area and presented his views on how to improve our income-maintenance system. There were wide differences in views. The Commission also invited the views of other experts and interested persons and organizations, some personally and others in writing.

One of the most meaningful experiences was the field trips we took to seventeen poverty-ridden localities around the country. We thus obtained firsthand information about urban and rural poverty and about black, white, Mexican-American, and Indian poverty. On these trips, the attending Commissioners usually spent an afternoon visiting and talking directly with the poor in their own homes.

Also on these trips there were from one to three days of hearings at which local welfare officials testified about their own programs and problems and at which the poor themselves told of the successes and failures in eking out an existence with limited or no funds. Some of the stories were quite heart-rending; in fact, the whole experience has to be labeled "soul-searing."

The field trips were divided in such a manner that each commissioner attended three or so of them and chaired one of those he attended. They were designed to give each commissioner a different geographic and ethnic exposure. My own visits included a trip to the cotton poor of northeastern Arkansas, to the worked-out coal hollows of Kentucky, and to three different sections of Greater Los Angeles. I was in the chair at Los Angeles, facing poor whites, angry blacks in Watts, and very angry Mexican-Americans in East Los Angeles.

SCOPE OF SUBJECTS STUDIED

The education we received from our readings and from our discussions with experts and with the poor themselves was invaluable for the task at hand. We discussed poverty and income maintenance from almost every conceivable view. We explored the meaning of poverty and were confronted with the difficulties of giving it an exact and acceptable definition. We examined the incidence of poverty and the reasons why the poor remained poor. We looked into the social costs of poverty and its impact on human-resource development.

We argued over criteria for evaluating income-transfer programs, worried some about definitions of employability, and thought much and long about the impact of proposed programs on work incentives. The feasibility of area cost-of-living differentials in benefit payments received our attention, as did also the question of whether the poor spent their money any more foolishly or wisely than the nonpoor. Special attention was given to the aged, the disabled, female-headed households, the children, minority groups, and the working poor.

The role of government in income maintenance was ascertained as we examined the origins of existing programs and subjected their current performance to critical evaluation. We entertained discussions and debate on social insurance programs, veterans' programs, public assistance of various types, housing programs, commodity distributions and food stamps, employment and work-training programs, minimum wages, wage subsidies, and the government as "the employer of last resort."

Among the proposed programs, we examined demogrants (children's allowances, allowances for the aged, and a general social dividend), income-conditioned grants (i.e., public assistance reform), social insurance reform (restructuring OASDI and changing temporary disability and unemployment insurance), and even schemes based on redistribution of wealth.

DECISIONS: HOW REACHED

The basic decision which the Commission had to reach was whether to recommend some reform and expansion of the present welfare and other systems or to seek an additional new approach to the problem of poverty. After much discussion, the Commission opted for a radical change—replacement of a number of existing programs by a form of negative income tax. There were only two dissenting votes, mine being one. My vote was not intended to reject the negative-tax idea outright but rather to set up meaningful experiments with it before committing the nation to a universal, mammoth, irreversible program.

The decision reached by the Commission was important because it meant a breakaway from categorical assistance and from a needs test. It affirmed a desire to help all in poverty solely on the basis of a deficiency of income. This meant including the working poor, who are currently excluded in almost all programs. It also meant that there would be no required tie to a work-training program. The payout was to be given with no strings attached. Work-training programs were viewed as complementary programs, not compulsory ones.

The second key decision was in selecting the minimum-income guarantee. After much argument the majority finally voted to recommend a base income of \$2,400 for a family of four. There are many considerations, including cost and work incentives, involved in this matter which I cannot cover here.

The Commission also recommended that federal participation in existing public assistance programs be terminated; that coverage under unemployment insurance be broadened and benefits raised; that benefit schedules under social security be reconsidered in the light of adoption of a universal income-supplement plan; that existing manpower and related programs be consolidated, improved, and expanded; and that an expanded program of population-control information and services be enacted.

The Commission sensibly decided to avoid the six staff recommendations in the field of social security. Instead, it suggested that the details of integrating social security with any new income-maintenance system be left to the more expert statutory Advisory Council on Social Security. My actuarial background and knowledge were put to good use in this discussion.

Also, there was a staff proposal that an expansive health insurance program be set up to meet catastrophic health expenditures. But again the Commission went along with those of us who pointed out grave deficiencies in the ideas advanced, and it was agreed that a body of greater competence in this field should study this matter explicitly. Here, too, my background was helpful.

There were numerous other peripheral debates, but none was as amusing as the Commission's endeavors to avoid the labeling of its basic recommendations as a "negative income tax." The language finally settled on was the more salable "universal income supplement."

REPORT WRITING

As I suppose is always the case, the drafting of the final report was in the hands of the staff—and that produced considerable anxiety. In the summer of 1969, the staff concentrated on writing drafts of the various

chapters. Their inclination toward excesses in language and impractical viewpoint in critical areas had to be, and was for the most part, toned down at the final two Commission meetings. A member of my staff, who attended all the meetings with me and kept himself and me abreast of developments in the field of income maintenance, spent one whole additional morning in Washington with the executive director of the Commission just going over excesses of tone or interpretation (as well as a few facts) that we thought needed correcting. For the most part, our suggestions, as well as those of the other members, were gratefully accepted—though some excesses obviously still slipped through.

Finally, in mid-November, after nine Commission meetings in twenty-two months (seven of which were two-day affairs), the Commission submitted its report to the President.

MY OWN POSITION ON THE REPORT

My own position on the report's basic recommendations was filed in a supplementary statement to the report. I agreed that we must aggressively work to eliminate the widespread and dreadful poverty in our nation, that our present welfare system is inadequate and unsatisfactory, and that a new and costly undertaking at the federal level is needed at once. I believe, however, that the negative-income-tax approach needs to be tested fully for practicality and social impact in a variety of formulations and circumstances before we can be assured of its acceptability. Accordingly, I recommended that we seek funds for the needed testing and that in the meantime we work out substantial reform of the present welfare system along the lines suggested by a prior Commission. I ended my statement of position (diplomatically called a supplementary statement rather than a dissent) by saying that if Congress should conclude that some form of the negative-income-tax idea should be incorporated into our system at once, adoption of the limited and work-conditioned family assistance plan, as proposed by President Nixon, together with other reforms, would at this time be a preferable step to the sweeping measures proposed by the majority of the Commission.

RELATIONSHIP TO LEGISLATION

The work done by the Commission and its staff undoubtedly was drawn upon heavily by the White House in constructing Mr. Nixon's proposal of a family assistance plan. The two plans have a common approach but differ in some important essentials, including the limiting of the Nixon plan to families with children and compulsory registration for work.

As for my involvement in this matter, I do not know how to quantify the help which was provided by my background in insurance and training as an actuary; but I do know that they enabled me to bring sane realism and analytical balance to the discussions, particularly in such matters as social security, unemployment insurance, and health insurance.

Also, I am sure that my actuarial training was excellent preparation for sifting through a large mass of information and getting to the crux of the question at hand. I felt that I could appreciate quickly the significance of the statistical and mathematical facts and relations that were part and parcel of some of the proposed programs; and often I was glad to have had my actuarial training and background.

In looking back on my Commission role, I am quite thankful for having had the opportunity to undergo this tremendous experience. Although sometimes excruciating, it was interesting, informative, and broadening, and I hope I contributed something worthwhile in a rather vital area of our social concerns. In many ways it was most rewarding; but, when I think of the time and effort required, I am equally as certain that it is one I will not feel able to repeat again very soon. Yet my advice to those of you who may be called for such a duty in the future is to accept if you can.

MR. JOSEPH MUSHER: The major portion of my remarks today will be concerned with the Advisory Council to the Secretary of Labor, which came into being with the 1962 Amendments to the Welfare and Pension Plans Disclosure Act of 1958. As befits the broad expanse of the coverage under that Act, the precise title of the group under instant scrutiny contains the mouth-filling phrase "Advisory Council on Employee Welfare and Pension Benefit Plans."

A. ENABLING LEGISLATION

The Advisory Council's status under the Act, as amended, is spelled out under section 14. The nature of its composition, duties, "emoluments," and expenses can be ascertained from subsections (a), (b), and (d), which I quote in full:

Advisory Council

SEC. 14. (a) There is hereby established an Advisory Council on Employee Welfare and Pension Benefit Plans (hereinafter referred to as the "Council") which shall consist of thirteen members to be appointed in the following manner: One from the insurance field, one from the corporate trust field, two from management, four from labor, and two from other interested groups, all appointed by the Secretary from among persons recommended by organizations in the respective groups; and three representatives of the general public appointed by the Secretary.

(b) It shall be the duty of the Council to advise the Secretary with respect to the carrying out of his functions under this Act, and to submit to the Secretary recommendations with respect thereto. The Council shall meet at least twice each year and at such other times as the Secretary requests. At the beginning of each regular session of the Congress, the Secretary shall transmit to the Senate and House of Representatives each recommendation which he has received from the Council during the preceding calendar year and a report covering his activities under the Act for such preceding calendar year, including full information as to the number of plans and their size, the results of any studies he may have made of such plans and the Act's operation and such other information and data as he may deem desirable in connection with employee welfare and pension benefit plans.

(d) Appointed members of the Council shall be paid compensation at the rate of \$50 per diem when engaged in the work of the Council, including travel time, and shall be allowed travel expenses and per diem in lieu of subsistence as authorized by law (5 U.S.C. 73b-2) for persons in the Government service employed intermittently and receiving compensation on a per diem, when actually employed, basis.

B. ACTUARIAL REPRESENTATION

If one reads the fine print carefully, there would appear to be no provision for an actuary, in his own recognizance, on the Advisory Council except as a representative from "other interested groups," with respect to which there is a maximum of two slots open at any particular time. The Legislative History of the Act supports such a conclusion. In fact, on page 34 of Senate Report 1440 (April 21, 1958) the following statement is made: "The two members from 'other interested groups' are included to permit representatives from such groups as Blue Cross, Blue Shield, actuaries, CPA Associations, consultants, etc."

Despite the long odds, however, the actuarial profession has succeeded in having a continuous voice in the Council since its inception. This has been accomplished with the aid of an insurance industry which still looks toward the Metropolitan Life for its spokesman on the Council. Metropolitan Life has co-operated by offering to the Secretary of Labor a vice-president in 1962, a senior vice-president in 1964 and 1965, and a president in 1967 and 1969; in 1971, the company stands ready to offer a chairman of the board in order to continue the tradition. *Is Gil Fitzhugh listening?* Just as a matter of coincidence, all the official roles to date have been acted out by my distinguished copanelist Charlie Siegfried. The moral, I suppose, is that the surest road to private advancement is to be *sacrificed time and again* for the public weal. I trust that this lesson will

be taken to heart by all of you within the range of my voice who are driven by a private incentive to a public conscience.

It is a matter of historical record that the first actuary chosen in his own recognizance was Dorrance Bronson—a pre-eminent name among those of us who ply the actuarial trade in the pension consulting field. Dorrance's appointment by Secretary Willard Wirtz to the Advisory Council on June 26, 1964, as a representative of the "other interested groups" antedates the incorporation of the American Academy in 1965. His name was put in nomination by the unanimous action of the four nationally recognized professional actuarial organizations (Society of Actuaries, Casualty Actuarial Society, Conference of Actuaries in Public Practice, and the Fraternal Actuarial Association).

Before tackling the assignment, Dorrance Bronson had occasion to write for "instructions" to Andy Webster, who at that time was the President of the Society of Actuaries, to wit:

I have been turning over in my mind just how an appointee should carry out the function of representing one of the "other interested groups," in this instance the actuarial profession. To what extent I should submerge my own ideas and speak in more general terms is one of the points of consideration. Perhaps as to the former I should state as such (i.e., my own), and then sort of straddle things a bit when it comes to the latter (until I can get actuarial reactions); certainly, a fair amount of heterogeneity of ideas exists among our profession in so many different lines of activity.

In response to this letter, Andy, with his usual wisdom and political foretaste of things to come, had the following words of advice to offer:

You are in effect representing the four actuarial bodies and I think that you could be prepared to speak in general terms and in terms affecting the consulting actuary. I would expect you to keep Joe Musher, who was one of the alternates, advised of developments, and he can maintain contact with the Conference of Actuaries in Public Practice. Bear in mind that the Company point of view will, I presume, be given by Charlie Siegfried, and I know that he and you will keep in touch on the various meetings coming up.

How well Dorrance Bronson navigated through the actuarial shoals at the various meetings of the Council was attested by the warm words of thanks expressed in writing by Thomas R. Donahue, Assistant Secretary of Labor at the expiration of his term in 1966. The Assistant Secretary commended him on his important contributions to the discussions and looked forward to further representation from the "other interested groups" by an actuary at an early date. With the groundwork so well laid, the ready acceptance by the Labor Department of the actuary nominated by the American Academy of Actuaries in 1968 should have occasioned

little surprise. Parenthetically, Labor was represented on the Advisory Council by Howard Young of the UAW for two terms through 1968, so that the Society of Actuaries has been represented on the Advisory Council by at least two of its Fellows on a continuous basis since 1964.

One of the "certain" things about appointment to the Advisory Council as a representative of the "other interested groups" is that the assignment will not continue beyond the two-year term. It seems to be a question of two slots being too few for too many "other interested groups." As of present writing, an actuary and an attorney (who have the name of Joe in common) are represented as such on the Council. The latter gentleman, Mr. Seligman, has suggested—at the meeting held on May 15, 1969—that the number of representatives from other interested groups be increased to four and has proposed that representatives from actuaries, accountants, attorneys, and administrators (the 4 A's) be appointed accordingly. Such a suggestion would appear to have substantial intrinsic merit, and the logic therefor might possibly be strengthened with a change in wording from the nondescript "other interested groups" to the more expressive title "the directly involved." In all seriousness, such a suggestion for an expansion in number would permit permanent representation on the Advisory Council by at least one actuary in public practice as recommended continually by the various presidents of the Academy of Actuaries to date.

C. COUNCIL MEETINGS—GOVERNMENT COVERAGE

All meetings of the Advisory Council are held in Washington, D.C., and are attended regularly by an imposing group of officials from the Labor Department. The Office of the Secretary is normally represented by the Assistant Secretary of Labor for Labor-Management Relations serving as chairman and by his Deputy Assistant Secretary. It is not unusual for the Secretary of Labor himself to attend the discussions for a part of the time and/or to join the group during the luncheon break. My own tour of duty witnessed a change of administration. In 1968, the meetings were chaired by Tom Donahue and in 1969 by Bill Usery. My use of their first names reflects the easy informality of the periodic Council meetings in which unanimity of opinion on any particular subject is characterized by its complete absence. While there is some predictability as to positions which will be taken on any particular subject, it is not at all uncommon for the Council members to express their own private views, independent of the positions to be expected from the groups which they represent.

Since it is the main administrative arm of the Department under the Welfare and Pension Plans Disclosure Act, the Office of Labor-Manage-

ment and Welfare-Pension Reports attends the meeting, in full array. Its Director (until recently), Mr. Frank Kleiler,¹ has served most ably in that capacity from the very beginning of the Council meetings. That office is also regularly represented by the deputy and assistant directors and the branch chiefs. The executive secretary of the Council until he retired in November, 1969, was Vincent Colan, whose regular job in the Office was that of Assistant Director of Technical Assistance. Dorrance Bronson and I have enjoyed an unusually fine relationship with both of these officials, which has been underlined by mutual understanding and respect. The present executive secretary of the Council is Edward F. Lysczek.

Insofar as Council opinion concerning the administration of the existing program as well as legislative proposals for amending the Act is regularly solicited, the Labor Department is regularly represented at the Council meetings by a full complement from the Office of the Solicitor (no pun intended). These include the Solicitor, Associate Solicitor, Deputy Associate Solicitor, and the Counsel for Opinions. The then Solicitor at the Council's last meeting, December 10, 1969, Larry Silberman, is now second in the chain of command, having recently been appointed the Under Secretary of the Department.

In recent years, the meetings of the Council have been attended by representatives from other departments as well. These have included officials from the Departments of Commerce and the Treasury and the Internal Revenue Service. Their interest stems from the work of the Inter-Agency Task Force, which was set up for the study of private pension funds.

D. HISTORICAL PERSPECTIVE

To date, there have been twenty meetings since the establishment of the Council in July, 1962. These include four in 1962, three in 1963, and two (the required minimum) in each year thereafter, through 1969, with the exception of 1966 in which three meetings were held. The 1962 meetings of the Council dealt with the development of regulations and other activities necessitated by the 1962 amendments to the Act of which the bonding requirements of section 13 of the Act presented the most difficult and urgent challenge. The 1963-64 meetings were primarily addressed to changes or revisions in the D-1 (plan description) and D-2 (annual report) forms in which the members were asked to participate. The major item for discussion at the Council meetings in 1965 was the report of the President's Committee on Corporate Funds, with emphasis on those aspects which related to the Welfare and Pension Plans Disclosure Act. Of

¹ Now Deputy Assistant Secretary for Planning and Evaluation.

special interest to actuaries was item 3, page xi, which dealt with certification by an actuary. Dorrance Bronson took the occasion to decry the lack of legally recognized actuarial standards and to touch upon the then current companion bills introduced in Congress, H.R. 5987 and S. 1154, which were designed to establish a charter for the Academy of Actuaries and, at the same time, to set up qualifications and standards for the profession. The records indicate that this first presentation to the Council concerning the need for positive action to assure appropriate professional standards in actuarial determinations elicited uniformly favorable response. The executive secretary (Vincent Colan) was instructed by the chairman (Assistant Secretary Reynolds) to obtain and send copies of the bills to the members. This was done in consequence of the general view that after examination of the specific contents of the bills a strong recommendation from the Council could be expected with respect to the merits of the bills' objectives.

In 1966, the meetings of the Council centered on those bills in Congress whose main intent was to provide federal fiduciary standards with respect to the administration of welfare and pension plans. This review included a thorough discussion of a staff draft (L.M.W.P.). Among its recommendations to the Congress that year, the Council urged that the Congress give early priority to the need for a federal fiduciary statute enforced by the federal courts which "should give all beneficiaries, interested parties, and federal officials, including the Department of Labor, the right to bring suits with appropriate remedies for violation."

The 1967 Council meetings, which were chaired by Assistant Secretary Donahue, ranged widely as its members came to grips with the tentative policy positions taken by an interagency staff committee on the various aspects surrounding the fulfillment of private retirement plan expectations. The task force headed by Mr. Peter Henle, Chief Economist of the Bureau of Labor Statistics, included representatives from the Bureau of the Budget, Commerce Department, Council of Economic Advisors, Federal Reserve Board, HEW, Justice Department, Labor Department Secretary, and Treasury Department. The tentative policy decisions of the Task Force, on which the advice of the Advisory Council was being sought for an improved understanding of the private pension system, covered the areas of vesting, funding, and plan-termination protection. The discussion included the subject of actuarial certifications, qualifications of actuaries, and the part they played in adequate funding of pension plans.

The feverish activities of the preceding years culminated with the introduction in 1968 of a flurry of bills dealing with employee benefits, of

which the most significant were (1) the Fiduciary Bill (H.R. 6498 and S. 1024), entitled "Welfare and Pension Plan Protection Act of 1968," and (2) the vesting, funding, and plan-termination bill, known as "Pension Benefit Security Act" (S. 3421). I can attest, from firsthand knowledge, that these bills predominated the Advisory Council's discussions in the two meetings held on September 30 and December 4 of that year. The discussions could afford to be deliberate, by that time, since neither bill was going anywhere in either house during that congressional session.

The Council's meetings in 1969 marked the first year in its deliberations during which a Republican was in the White House. It witnessed the replacement of Willard Wirtz by George Shultz as Secretary of Labor and the appointment of William Usery as the Assistant Secretary who would preside over the Council meetings thereafter. Mr. Usery took the occasion of the first meeting in May to solicit the differing views and opposing positions of all members of the Council, encouraging them to wear their individual hats along with those of the groups for which they spoke. The wide-ranging discussions related to vesting, funding, portability, and termination insurance. The occasion was ready-made for Russ Hubbard, a Council member of long standing, to bring up, once again the problem of legal recognition of bona fide actuaries and to suggest that the Council recommend to the Secretary of Labor that he lend his active support to efforts being made to obtain a national charter for actuaries from the Congress. Dan McGill, a name well known to all of you, either as students or practitioners, brought up the possibility of an alternative approach looking toward an amendment to the Welfare and Pension Plan Disclosure Act which would require that actuarial certifications be made by accredited actuaries in accordance with standards set by the Secretary. In response, I indicated that the actuarial profession would welcome support from the Advisory Council for the idea of a national charter. I noted also that, in connection with Mr. McGill's suggestion, a simple amendment to Congressman Dent's Bill H.R. 1045 (as introduced on January 3, 1969, and cited as the "Pension Benefit Security Act") could be inserted immediately prior to the actuarial statement called for under its section 202 entitled "Funding Status Reports" (and at other applicable places), to the effect that such statement be "certified by an actuary accredited to the Department of Labor."

The subject was kept very much alive for the Council's meeting on December 10, 1969, by its inclusion as an item on the formal agenda entitled "Standards for Accreditation of Actuaries." While Charlie Siegfried and I took turns that day in carrying the ball, it was highly gratifying to note how many members of the Council ran interference for us. The issue

still remains unresolved, but subject to Mr. Uesery's commitment, at the conclusion of the discussions, that the Department would prepare a statement for consideration of the Council at its next meeting, which he expected to call "early in 1970." The Department will have for its deliberations in this regard the cogent statement submitted by Walter Rugland, as President of the American Academy of Actuaries, to Mr. Dent, Chairman of the General Subcommittee on Labor. The Department of Labor also has available for its use the following language which the Academy would consider satisfactory with respect to areas of actuarial identification in the existing W.P.P.D.A. or those contemplated in present or future amendments to that Act:

All actuarial reports, statements of actuarial assumptions and methods and actuarial valuations required under this Act shall be prepared and signed by an Actuary certified as qualified by the Secretary. An Actuary who is a member of the American Academy of Actuaries shall be deemed qualified.

E. SIGNS OF THE TIMES

A word is addressed to the practical side of those of you in the audience who would choose to be public-spirited. Compensation paid to appointed members of the Advisory Council is established by the enabling law "at the rate of \$50 per diem when engaged in the work of the Council, including travel time." The \$50 rate had its ancient origins during the years when the ceiling on annual salaries in the Federal Civil Service was \$10,000 per annum. It is comforting to note that the Department is proposing a change in the rate of compensation which would remove the work of the Council from the ranks of a charitable endeavor. Thus H.R. 16462, the current administration bill, would amend the relevant subsection of the law to read as follows: "Appointed members of the Council shall be paid at the maximum per diem rate authorized in the current Department of Labor Appropriation Act for consultants and experts."

I understand that such language would now have the effect of changing the rate of compensation per diem from \$50 to \$100. In comparison, the latest amendment to the Railroad Retirement Act, dated August 12, 1970 (Public Law 91-377), raises the per diem ceiling for experts and consultants to the rate authorized for GS-18 (the highest level in the Federal Civil Service); that is, \$136 per diem. The same legislation breaks new ground in requiring that the temporary commission which it establishes to study the railroad retirement system "shall employ the services of an actuarial consultant holding membership in the American Academy of Actuaries and qualified in the evaluation of pension plans" who "may be paid without regard to . . . classification and General Schedule pay rates."

F. SUMMARY COMMENTS

Notwithstanding the remarks made immediately above, I must reach the conclusion that exposure to Advisory Council discussions has been most rewarding. The group was of such size as to permit a full diversity of view with respect to any controversial problem, and the intellectual prowess of the individual members was even marked enough to introduce controversy where none was originally intended. Seriously, one could not help but appreciate the respect with which the various Council members were treated by the government officials and the equally obvious recognition by the Council of the high caliber of the Labor Department officials with whom we came in contact. If this sounds like a mutual admiration society, so be it.

An opportunity was also presented for Council members outside the Washington area, as well as those of us working in the city itself, to be spectators in privileged seats as well as participants in the working of the legislative process. I have in mind our function involving review of proposed legislation, the opportunity afforded us to present alternative drafts of particular sections, and the ancillary benefits made available to us from meeting the various personalities directly involved in drawing up the final bills for the consideration of the House or Senate, as the case may be. And, on a personal note, I would like to believe that as a result of the contributions to the Advisory Council discussions by Dorrance Bronson, Charlie Siegfried, Howard Young, and the Academy's most recent appointee, the case for responsible actuarial standards at the federal level to enhance employee benefit security has been significantly advanced.