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PENSION SECTION MEETING

*Moderator: CHARLES L. TROWBRIDGE. Panelists: MEMBERS OF THE PENSION SECTION COUNCIL.
Recorder: GORDON E. WEBB*

MR. CHARLES L. TROWBRIDGE: This is only the second meeting that the Pension Section has ever had. The first meeting, about this time last year, occurred just about the time when the Section was being organized and was not exactly very organized. This one may not be so super organized either.

For some time, it has been a concern of the Society's Board of Governors that the Society may not be meeting the 'needs' of pension actuaries and that other actuarial organizations, particularly the American Academy of Actuaries and the Conference of Actuaries in Public Practice, will become, if they aren't already, the centre of pension actuarial activity. At Saturday's Board meeting (Saturday, October 13, 1984), a report from the Committee on Planning addressed these concerns and made it clear that the Board will be relying upon this newly formed Pension Section to study the special 'needs' of pension actuaries and to respond appropriately to these 'needs'. You may have heard Don Grubbs' remarks this morning at the General Session in which he reiterated the Board's reliance on this Section.

There are obviously 'needs' in more than one area and for the purposes of this meeting we are going to single out three of those. The first is in the area of continuing education. By that I mean developing programs within the Society's meetings or the Section's meetings, initiating seminars or journals, or using any of the various other means to disseminate pension actuarial information to the members of the Section and to other members of the Society, who may not be in the Section but nonetheless might need to have it. We could call this the "Continuing Education Function" or the "Program Function" of the Section.

The second 'need' is in the area of basic education. A lot of people aren't too satisfied with the way the Society exams are structured with regard to developing pension actuaries. To some degree this Pension Section can be of assistance to the Education and Examination Committee (the E&E Committee) in restructuring the exams to make them more appropriate for potential pension actuaries. We could call this the 'Basic Education Function' of the Section.

Then finally there is still another function for the Section to consider. We all realize that not enough research gets done in many of the areas of actuarial practise. Although this Section has not made many plans as yet about carrying on the 'Pension Research Function', we hope to get into it soon.

Today the Pension Section Council represented by three of us on the platform here, Tom Bleakney, Frank Bayo and myself, hope to tell you about what we have accomplished this past year and what our plans are for this coming

year. Many of you may have seen the formal report of the Pension Section to the Board on the very last page of the Committee & Sections Reports Booklet that I think you all received with the last issue of The Actuary.

Before we go further, I should remind you who the Council members are. Barnet Berin, Dick Daskais and I are serving three-year terms expiring in 1986. Frank Bayo, Tom Bleakney and Howard Young were elected to two-year terms that expire in 1985. Then we have those who were originally elected for a one-year term. Those terms are expiring at this meeting and we have just elected some replacements for them and I would like to tell you who they are. The newly elected council members for those three-year terms beginning in 1984 and therefore expiring in 1987 are Charles Farr, who actually was on the council before and is therefore succeeding himself, Leroy Parks, and Yves Guerard, who is our first Canadian representative. We have not had Canadian representation before and I am very glad we now do. That's our 9-person Council, only three of whom are here today. With the International Congress of Actuaries going on in Australia and the International Association of Consulting Actuaries happening in Hawaii, the Council members have had to make meeting choices.

For our first presentation today, I am going to call on Frank Bayo to tell you about our plans for the new Pension Journal. In this he'll have the collaboration of Dave Brown. He is one of the associate editors of this new Journal and he will also be speaking to you.

MR. FRANCISCO BAYO: Thank you Trow (Mr. Trowbridge). This morning we heard John O'Connor give us part of the results of the survey of the members of the Society of Actuaries. He indicated that a large majority of the members would like the Society of Actuaries to engage in applied research. I fully agree.

From my point of view, this does not mean that research is the sole responsibility of the Society of Actuaries and of its officers. Creating new research organizations within the Society of Actuaries is not the answer. Restructuring the existing ones is not the answer either. The role of the Society of Actuaries is to encourage research, to help direct it, to facilitate it, but not to do all of it. A large portion of the responsibility for the research is ours as individual members of the Society.

One thing that the Society of Actuaries can do to help is to provide a vehicle to communicate the results of our research. Prompt and accurate information is important to the development of research. To a large extent, research is a building process. Only the Lord can build from scratch. We humans build on top of work previously done by others. It is in this context that I see two important elements. First, the need that members of the Section have for the information on which to continue the building process. Second, the need to actually continue the building once the information is available.

Regarding the second element, the members need to read and assimilate information and more importantly they need to develop a feeling or attitude, that knowledge needs to be extended and that each one of us is responsible for a portion of the extension of that knowledge. There is no point in waiting until we have either an earth-shaking discovery or a

bright idea before we try to communicate. I would suggest we submit for publication our ideas as soon as possible. Naturally, I would also recommend spending some time trying to put these ideas in simple English so that they can be understood by others.

The Pension Section, our Section, has just completed the preliminary steps in creating an new vehicle for communication. It will appear under the name of the Pension Journal. Dave Brown, as Trow said a moment ago, is an Associate Editor of the new publication. He will be providing you with more information about it in a few moments.

As an editor, he will be needing your papers, your articles, your letters, your comments, whatever you can contribute. Keep in mind that in this area more is accomplished if many make brief contributions than if few contribute a lot. With this idea in mind, I already have submitted, about a month ago, a short paper - no more than two pages. I hope it will be just a pebble on a large beach. With some luck, I plan to submit one or two more in the near future. Nothing big, just keeping the ball rolling. But the Journal, naturally, will not be limited to information on research. It will contain other materials and Dave Brown will tell you more about that.

MR. M. DAVID R. BROWN: Actually, I don't have fresh information for you. I spoke with Dick Daskais, the Editor of the Journal, last week and asked if there was anything new that he would like for me to tell you today, to which his response was "not really". He did, however, reinforce what Frank has just been saying and that was a plea for articles to start off. What I want to do here is to repeat briefly some of the information that was given in the mailing earlier this year about the Journal.

The intention is to publish three times a year. The first edition is to come out in March of next year. The deadline for articles for that edition is January 10, 1985. You have a little time yet, if you have something in the back of your mind to work out, before you have to get it in. In addition to articles, the other contents of the Journal will include letters to the editor and news of what is going on within the other activities of the section.

We are looking for articles on subjects of interest to actuaries in Canada and the United States who work on or who are otherwise interested in retirement programs. That's the stated basis for the invitation. This Journal has sometimes been referred to as an intermediate kind of publication. It's somewhere between the Transactions and The Actuary. Submissions to it do not have to be as rigorous and as formal as the standards that the Papers Committee have laid down for the Transactions but they can be of considerably more technical interest and longer than the sort of thing that appears in The Actuary. The unwritten limit at the moment is ten pages but we expect that most will be somewhat shorter than that.

We've got a procedure, a format, in which we would like you to submit the articles and I think rather than try to describe it here, I would suggest those interested should contact Bern Bartels in the Society's office. He can give you the exact details. Basically, we are looking for a standardized kind of typed format so that we can make quick reproductions in the same way as is done with the Record so that we can get the finished product out fast.

One thing that I do want to mention is that when you submit your article, give us a statement from another actuary stating that he or she has read the article as it was submitted and found no technical errors or other errors such as incorrect arithmetic, incorrect references, misspellings, poor grammar or unclear sentences. The other actuary doesn't have to agree with what you are saying, he or she is just stating that the article doesn't have any of the obvious sorts of things that you might want to pick up. This has two purposes, one is to make life easier for the editors so they don't have to spend a lot of time doing those things and the other is to speed up the process so that we don't get involved in a lot of correspondence back and forth from the time the article is first submitted until you can see it in print.

As I said, the deadline for the first issue is January 10th. The next one will appear in June with an April deadline and the third one in November with a September deadline. We are looking for your contributions and submissions. The Pension Journal will be as good as you help us make it and will depend very much on your contributions.

MR. TROWBRIDGE: Before we go on to these other subjects, I think I'd like to open it up to discussion and then ask for your questions, if you have any questions or comments about this Journal. Obviously, it is something we are just trying out and it's not going to be any better than the input we get from you and if nobody sends anything in, there won't be one!

MR. JAMES F.A. BIGGS: Much of the best and certainly most current work that any of us do is work that we are doing for our clients which is, by and large, proprietary and not available for public release. I'm wondering if encouragement couldn't be given to perhaps sanitizing and reworking that type of material. It seems to me, that in terms of the kind of thing that Dave is looking for, that is genuinely current semi-research, this is probably the closest to it that most of us get.

MR. TROWBRIDGE: We don't have any preconceived ideas of just what's going to come out in the Journal. The more practically oriented the articles, the better as far as we are concerned. It's practical research rather than highly theoretical research that we are interested in. Notice the way these rules are set up. If you submit something and if you have this statement from an actuary saying that it hasn't got any terrible errors in it, we are going to publish it. This is not one of those things that goes through a Papers Committee. The editor isn't going to act as a censor. He is not going to read it and cut a lot out. This is different from the Transactions. It is different from The Actuary too. What we get, we are going to publish, and if we get a lot, we will publish a lot and if we get little, we will publish little.

MR. DAVID M. LIPKIN: I agree wholeheartedly with the concept that we need a medium type of journal, I'm wondering if other sections like the Health Section are doing something similar so that we can understand what they're doing without having to wade through the Transactions, or is that not our concern here?

MR. TROWBRIDGE: I believe that this is the only Section that has got definite plans for what is really a semi-professional journal that is not quite at the level of the Transactions. I believe some of the other

Sections have newsletters about Section activities. This Journal is also going to be a newsletter in the sense that if there is section news to pass on, we will put it in. There will also be some letters to the editor if you send them in, but basically we are hoping that there will be fairly meaty articles. The meatier they are the better.

In answer to your question on what other Sections are doing, I don't think any of them have really attempted to do this. It's really kind of an ambitious project.

MR. C. BARRY H. WATSON: I think you might say that the publications of Futurism Section are including some articles that might be deemed to be a type of research.

I have one question really. You mentioned that 10 pages was the general limit for individual contributions. Is there any notion of a limit on the total number of pages for the publication or will you just expand it or contract it as needed? Incidentally, I am certain that Jim (Mr. Biggs) is not going charge you his usual fees if he sanitizes his material.

MR. BROWN: He can send a bill if he likes!

The answer to your question Barry is that we haven't any idea of what volume we are going to get. Our initial policy, as Trow has said, is that we are going to publish everything we get. If we are absolutely overwhelmed, we might have to rethink that, but at the moment we don't have any limits in mind.

MR. TROWBRIDGE: Incidentally, the concept is that everybody in the Pension Section will get this Journal as a part of their Pension Section dues. Nevertheless, we feel that it will be a useful thing for both the continuing education and research needs of the actuarial profession as a whole. If people who are not in the Pension Section want to subscribe to the Journal, they certainly may do so. So it is intended for Society members and for Pension Section members primarily, but if anybody wants to subscribe to it they can.

Let us now go on to our next topic. You can see that we have some hopes that the Pension Journal will be of significant value in meeting the continuing education and research needs that were described at the beginning of this meeting, but it won't meet all those needs. There are lots of other continuing education needs besides those that can be met by a journal. I now call on Tom Bleakney, who has been our vice-chairman this past year, to tell you what we hope to accomplish in the continuing education area.

MR. THOMAS P. BLEAKNEY: I will really just concentrate on the programs portion as I feel somewhat like the little Dutch boy at the dike. The programs area has been such a significant problem in the last year that, if we can get it taken care of now, then we can work further on into the other areas of continuing education, seminars for example.

Let me simply preface this by what is probably a pretty obvious statement, particularly to those of you who have attended meetings of other actuarial organizations or other organizations period. The Society's pension line in

its meeting programs is a very, very thin line and it's one that the Pension Section may even consider non-existent.

There are 1,600 members of the Pension Section and I am informed that 70% of the enrolled actuaries in the United States are members of the Society. The problem isn't that there is lack of bodies interested in pensions but rather that there's been a significant problem in how things have evolved in the last few years. The program line for pensions in Society meetings has been particularly thin. In fact up until about 2 months ago it looked as if all of the spring meetings next year would go by without anything specific in the way of pensions except perhaps something that just sort of accidentally fell over from some of the other topics.

There's no need to make a big fuss about how things got this way. One thing that I should say though is that the General Program Committee of the Society has increasingly been moving towards developing topics and speakers by seeking out help from the sections as they have been developing, and this I think has been a very effective process. For example, the meeting of the Society in San Francisco next April is largely concerned with health topics and is being organized through the Health Insurance Section. Now this, I think, is a very positive step because the people who are specifically interested in the topic are the ones that are making sure that the program is the way it belongs and that they get the speakers that should be doing the job. The whole thing is positive in that respect. Unfortunately, the negative offshoot is that the General Program Committee itself has been finding it increasingly difficult to work out the topics which do not fall within the existing sections and I think we, the pension people, have certainly struggled with that. We now will have a pension track in San Francisco, and there will be one in Quebec City later next spring. There will not be one in St. Louis which is definitely a special topic meeting that doesn't involve pensions. Hopefully, by this time next year, the Pension Section will be able to take on the full responsibility of selecting both the program topics and the speakers for pensions. There still will be a necessity for the Society's Program Committee to handle the appropriate details to make sure that everything ties together but that Committee would not be expected to develop the topics and engage the speakers.

How do we get there from where we are now? First of all I am sure you all appreciate that there is a very substantial lead time in getting Society programs going. I think 44 weeks is the period. Therefore any topics for next year have to be pretty well started off in the next several weeks and that is going to mean getting the the Pension Section operational in that respect. To date it has been strictly an ad hoc type of a thing with a few of us scrambling around trying to fill in some of the slots. Some of you "slot-fillers" will recognize me as one of those who has been doing that job both for this program and for the San Francisco meeting.

We will be setting up a program committee of the Pension Section. I think you all received a request to serve on one (or both if you prefer) of two of the committees of the Pension Section: the one on programs and the one on education.

We were pleased with the 25 responses that were received. I should like to point out that if you feel the interest and have not yet responded, you are

certainly welcome to pass your name along. Send it to me at my address in the year book or send it to Bern Bartels at the Society. It is our hope that by this time next year the Pension Section's program committee will be fully operational and have its responsibilities well in hand.

If any of you have any thoughts, questions or ideas at this point, please speak up.

MR. HOWARD L. KANE: I would like to suggest that, with 1600 members in the Pension Section, perhaps we should survey them to find out when they would like to have a pensions specialty meeting. The spring meetings are set up very conveniently after annual statements are done for the life company people, but it's very difficult for many pension people to get away in April or May to those meetings. I would like to suggest that perhaps we can survey the members with the thought of a September meeting in some of those exotic places. We are not as busy then as we are in springtime and we can more conveniently not only attend the meeting but perhaps do other things at the same time.

MR. TROWBRIDGE: That raises a question that must be in some of your minds. There is a feeling among pension actuaries in general that maybe we don't need any more special pension meetings. Remember that the Enrolled Actuaries meeting goes on every year. It's a very popular meeting and is actually sponsored by the Academy and the Conference. We are certainly not going to compete with it. What's more, the Conference has another meeting on pension matters almost every year. Therefore, the question is whether the Pension Section will actually sponsor special purpose meetings on pensions. The Society has done so a few times in the past and may do so again. I don't think we can just assume that there are going to be frequent special pension meetings put on by the Society and the Pension Section. There are a lot of people who think we have had plenty of pension meetings as it is, when you lump them all together.

MR. KANE: My only thought was that when special meetings are set up, if they set up in the springtime, it is very, very difficult for us to attend, even for the two or three days that it takes. Given that the Pension Section has 1600 members or almost 1/5 of the total Society membership, certainly another fall meeting could be supported. That would give us three spring meetings and two fall meetings of the Society. Also, the Enrolled Actuaries meeting at times has an ASPA (American Society of Pension Actuaries) flavor to it and very few of us are members of ASPA. Perhaps we should have our own meeting directed by Society viewpoints and philosophies.

MR. RALPH BRASKETT: I belong to two actuarial bodies right now and I wish it was only one. I don't want to belong to three or four. I have been a little disturbed that the tone in the Society has been to suggest that maybe the pension guys should become members of the Conference or ASPA. I have to agree with Howie that the Enrolled Actuaries meetings tend to have an ASPA flavor sometimes. Not always. In addition, I would point out that those Society members who work in small firms, are in competition with ASPA members who may not be members of the Society. In fact, some of the people working in small firms seem more interested in ASPA membership than in Society membership because they see ASPA providing a lot more services in

the pension area. This may or may not be the appropriate moment to bring all this up but I'd like to get it on the table.

MR. BLEAKNEY: I think the Enrolled Actuaries meeting is perhaps more characterized as being oriented toward the "how-to-do-it, cookbook" approach. Perhaps that's a result of the ASPA influence but often there's a lot there for everybody, as a few of those attending have found out. Nevertheless I do think that there is a niche for the Society and I certainly don't think that it's a question of setting up a competition. It may be that our niche requires that we have special meetings that are completely pension meetings.

MR. BRASKETT: We need a little of the "cookbook" and lot of the theory. We also need continuing education and that is certainly the place where the Society can provide help.

MR. J. BRUCE MACDONALD: I am a Canadian. It's been suggested that perhaps we don't need meetings because the Conference has meetings and there are Enrolled Actuaries meetings. Now I am one of the handful of Canadians who both belong to the Conference and am an Enrolled Actuary. Those meetings, however, have nothing of any great interest in them for me. I go to a Conference meeting once every ten years. It takes me that long to realize there was nothing on the program that was of interest to me. Now if you are going to say that we, in the Pension Section, are not going to have any meetings, then I think you are just asking the Canadians to say, "Well, the Canadian Institute is doing a first rate job for us, I guess we will let them continue to do a first rate job and we will get relatively little out of the Society." This is something which bothers me. This is the first Society meeting I've been to in four or five years. Usually the only reason I get to one is because somebody was weak-minded enough to ask me to be in the program.

With respect to an earlier comment, work loads in Canada take a different pattern from those in the U.S.A. because our tax laws are a little different. I think a pension meeting at the height of the New York season in January or February would be just delightful. That's the time I've got the least to do.

MR. TROWBRIDGE: Obviously the Canadian situation is different and it is complicated by the fact that the CIA (Canadian Institute of Actuaries) does some pension things too. We've got everybody and their brother in the act to some degree and we're never going to fit it all into one piece. So far, the Pension Section Council, although it has considered the Canadian situation, hasn't had any direct Canadian representation on it. One of the associate editors of the new Pension Journal is a Canadian and one of our new Council members is. We are not going to deal with things as U.S. issues, we are going to deal with them as international issues.

MR. JOSEPH P. MACAULAY: This noon I represented the Pension Section at the Continuing Education Steering Committee meeting. That Committee got handed to it a copy of a report from what has been called the Shapiro Committee, which is a committee of the Society looking into what should be done with regard to continuing education. The Society itself is finally trying to straighten out how the specific continuing education committees and the sections should interact appropriately. Right now the possibility of

having either a meeting that is all pension or has a very heavy pension track is being considered for the spring of 1986. At the last Board meeting two spring 1989 meetings were approved. Therefore, the first time that we can have regular meetings, outside the current style of schedule, is in 1990 or possibly in the early fall of 1989. Within the current planning context, we have to think about what we really want to provide for a special topic meeting in the spring of 1986, and anyone who wants to make comments on that can mail them to the Section Council or to me at my year book address and I will try to interact with the Section Council.

One of the other things the Continuing Education Steering Committee is going to want is assistance with seminars because continuing education includes seminar preparation and seminar provision. It could well be that seminar provision is the most appropriate area for us to provide assistance - more appropriate perhaps than special topic meetings. There have been special topic meetings every few years. Two have occurred since ERISA and while the Canadians might make comments about ERISA content, to some extent some of the ERISA-type things do have general impact. There is a push for an 1986 pension topics meeting and the Continuing Education Steering Committee would like to give it consideration. If you have any thoughts about how you think you should get your continuing education out of the Society, send them to the Section Council or to me. Also, to anybody willing to work on the Section's Program Committee, as Tom said, we are still asking for volunteers.

One last thought. I agree with the comment that the EA (enrolled actuary) meetings are "cook-booky" and maybe we do need some good discussions about theory in pensions. This is the type of thing the Society can provide. To a great extent, within the overall organization of the different societies, the Society of Actuaries has the responsibility for general style education and not necessarily for "cook-book specific" education. To the comment that the EA meetings have a very heavy ASPA slant, to an extent that only occurs because those people are primarily members of the Academy and are willing to provide answers at the meetings. The committee that runs the EA meeting is composed of members of the Academy and the Conference.

MR. WATSON: I was very glad to hear those last comments, because I've been sitting here getting a bit disturbed. The thought that we are only talking about Canada versus the U.S. or the U.S. versus Canada is the wrong approach to the whole question of pension education. I do all my work outside Canada and the United States. I am not concerned about ERISA at all and am only marginally concerned with Canadian regulations. If we are going to set up a pension meeting which is going to discuss regulations and laws then we are making a horrible blunder. Just like they say 'pigs is pigs', "pensions is pensions". We should be more concerned about what is general about pensions and include items that are applicable in Canada, the USA or Zimbabwe. Otherwise we aren't going to be any help at all to our Section. We've got enough people telling us what is the latest, or what appears in the "third paragraph, second sentence of regulation 102 of the government."

MR. TROWBRIDGE: That very same issue came up when we were deciding on what we were trying to include in the Pension Journal. I guess we didn't say it specifically in any of the material, but we are not going to try to compete with Spencer in publishing government regulations. The government can

publish its own regulations and others can do a lot better job of reiterating them than us. The Pension Journal isn't going to emphasize all the rules and regulations, we'll leave that to someone else. It is going to get into the basic theory.

MR. DONALD S. GRUBBS, JR.: It's clear that pension actuaries are not homogeneous, that there are very differing interests. In planning programs, whether they are for specialty meetings or for the annual meeting, we need to make sure that there are different meetings held simultaneously for those who have differing interests. Actuaries of large plans often have interests in things quite different from those who are working on small plans. There are actuaries who want to know about U.S. regulations and actuaries who want to know about Canadian regulations and others who don't care about either. We need to make sure that we have a program which at any time is going to appeal to the differing kinds of pension actuaries.

MR. TROWBRIDGE: Let us turn to the final subject of this meeting: the pension content of the Society's exam syllabus.

The Pension Section Council is not a part of E&E, (the Education and Examination Committee) and nobody expects that it will be. But the Society's Board clearly hopes that the Pension Section can make some recommendations to the E&E Committee about the pension content of the exam syllabus. So far we've only made a very small beginning. You could say we really haven't done anything yet, but we hope to do more in the future.

The first thing we need to work on is the exam structure, both as to the pension content of the non-specialized exams and as to the specialized syllabus for the pension branch. Once the exam structure is satisfactory, which, right at the moment, many people think it is not, then help with the actual selection and writing of study notes and references that go into it will be needed. The actual writing of study notes, keeping them up to date and so forth, is the secondary phase because there are obvious problems with the current exam structure which must be corrected first.

Several of you have volunteered for the education part of this and we are going to attempt to set up some kind of an education committee out of the Pension Section. It's not going to take over the functions of E&E, but is going to try to make some recommendations.

I'd like to spend a minute talking about the current structure of the exams with respect to pensions to help you identify where the shortcomings are. I'm going to start out as if pensions didn't exist and then show you how pensions do or don't fit into the present exam structure. First we have five associate exams, Parts 1 through 5, which really cover the mathematical and other tools that all actuaries are presumed to need. There is little particular pension content in them and in any event, the problems are not really with these exams. Then we have what I'm going to call for the moment 'unspecialized fellowship exams', Part 6, 7 and 8. Those of you who know that there is a special Part 7P just ignore it for the moment. The general concept of these exams is that they cover a wide variety of financial security programs. Basically these exams, 6, 7 and 8, are not specialized exams. They are not specialized by content and they are not specialized by country. They are supposed to give the basic philosophy,

design, marketing, administration, pricing, taxation, regulation, economics and investment aspects of all kinds of financial security programs, including pensions, social insurance, individual insurance, group insurance, health insurance, and a bunch of other things. Then finally, there are two specialized exams, Parts 9 and 10. In each of these the candidate chooses a major or a primary specialty and he also chooses a minor or a secondary specialty. He or she also chooses whether he or she wants to take them on U.S or Canadian material. About 60% of Part 9, which is really an advanced and specialized version of Part 6, covers the chosen major and about 40% covers the chosen minor. Part 10 is an advanced and specialized version of Part 7 and it works the same way. If pensions fit neatly into this basic structure, presumably there wouldn't be any structural problem and we could concentrate on perfecting the references and study notes. Unfortunately it's not that simple.

Largely because of the educational requirements of the Joint Board and the Enrolled Actuary qualifications, there are two special adaptations that have evolved. For the pension branch, and only for the pension branch, specialization begins with Part 7 instead of Part 9. Part 7P has become an Enrolled Actuary exam in the United States and is a specialized Canadian pension exam in Canada. Now because those on this Pension branch don't take the non-specialized part of Part 7 that all the rest of the actuaries take, they are required to take a special Part 10 minor covering material that they missed, which is mostly pricing of individual insurance and non-pension employee benefit plans. That's a mess. If you believe, as many of us do, that this is a pretty unsatisfactory structure for the basic training of pension actuaries, you may have some suggestions as to how things can be improved. Considering this structure problem, we have to face some troublesome questions.

What is the best relationship between the EA exams and Society Fellowship? Some of you may say that the best answer is no relationship at all. Some of you may say that the relationship we have now is necessary.

Do pension actuaries need as broad an exposure to the other financial security programs as the present structure implies? Perhaps, like the ASPA approach, a pension specialist doesn't have to know as much as about other kinds of lines.

Finally, just a word or two about the future. It seems likely that this Pension Section will appoint some kind of a committee or task force to help the E&E Committee in its consideration of these pension syllabus matters. Some of you responded to our request for volunteers and hopefully we'll have some progress to report by this time next year. Now I'd like to open up this question up for discussion. Some of you may or may not be all that interested in it. Most of you are through the exams and you don't have to worry about it, but looking at it from the point of view of the pension actuary of the future, are we training him or her right? If not how can we fix it?

MR. BRASKETT: I'm probably a little unusual for a Fellow under 40. As an actuary I have used in my work all kinds of skills included in the syllabus that I took, which was the syllabus running from 1961 through a transition to 1971. I find that while today I'm working in pensions, I spend a good chunk of my time doing group insurance work, a lot of time fooling around

with computer systems, and a modest amount of time on certain individual insurance aspects. So I think a pension actuary who is a member of the Society needs to know all the fundamentals that an individual life actuary or a group actuary needs to know. In some areas, for instance the investment and asset areas, the syllabus is a lot better than it was in the late 50's or the 60's when we used to have to memorize what percentage of some insurance company's assets were in bonds in the 1940's and 1950's or what the trend was. Some big improvements have been made in the exam syllabus. To say that, in the future, everybody is either going to be a pension man, a group man, an individual life man doesn't seem possible. Those of us who work in consulting firms, and now even the group and pension actuaries in the larger group writing companies, are being asked questions directly or indirectly by their clients such that in order to respond we have to apply actuarially related concepts to new problems. Hence, we still need those fundamentals. This is probably one of the best explanations of the current syllabus that I've ever received. The answer to the structure problem might be to cram the pension material into Parts 9 and 10 and not require those associates who are just looking to be enrolled to take Part 7 before they take Parts 9 and 10. I'd also like to have somebody here explain to me, cogently, what the problem was with the new Society Part 4 exam in relation to the Joint Board concern that it didn't teach life contingencies properly.

MR. MICHAEL COHEN: I guess Bruce MacDonald started off this true confessions bit and I'm going to continue it. I'm ashamed to say what I'm about to say but there has been a task force on the pension syllabus in existence for about 18 months and I'm a member of it. As far as I know, unless someone can advise to the contrary, there hasn't been a meeting or any correspondence between the members of that committee in more than a year. I suspect that most of the people, like me, are so busy doing their own thing they aren't try to find out what's happening in case somebody should say, "Oh! you know, you're behind in your homework."

I suspect that really the thing has kind of ground to a resounding halt which is a pity because some good work was beginning to be done. I guess the question I'd like to ask is how do you see the Pension Section interacting with that Society committee or task force - if it continues to exist - if you knew it existed?

MR. TROWBRIDGE: I don't think there's any problems about that. The E&E Committee, through the top brass of the Society has in effect asked the Pension Section for help. If we can give it to them, they'll sure take it. I don't mean that they'll necessarily take our advice, but they'll be glad to have us work with them. There isn't any problem of 'turf' here. If there were, I'd stay out of it. Linden Cole, the director of education, has asked for help. Anna Maria Rappaport, who is the vice-president in charge of the education area, asked for help the other day. You don't have to read the report on the problems of the pension actuary that came out at the Board meeting and was referred to us this morning. You can see they're worried about it too. So, it's not a question of whether we'll have the opportunity to do something. The real question is have we got the capability. I maintain that if this Pension Section comes up with some good answers, we'll get them sold.

MR. KANE: Until last year I was a general officer of the E&E Committee on the examination side primarily for pensions, and had been vice-chairman of the EA2 Examination Committee. Going back to the previous question concerning the syllabus, if you think it's a mess now, prior to the current reorganization, it was far more so. The feeling at that time was that EA1 was really too weak an exam, that it did not test well, and this was somewhat borne out by the very, very low passing percentages. EA2 was perhaps in a lot better shape at that point. What was coming about was that, whereas we had always tested life contingencies on the old Jordan Part 4 exam, which was always a make or break exam for many students coming up the road, this was really out of the picture at that point. A proposal was made by the E&E Committee to the Advisory Committee about 2 years ago. Joe, you were on the Advisory Committee at that time.

MR. MACAULAY: Technically, the proposal got labelled the Huntington Proposal and the restructuring of the enrollment exams accepted by the Advisory Committee and recommended to and accepted by the Joint Board was the structure put forward by the general officers of the E&E Committee of the Society of Actuaries. Therefore, what the Society then did about placing it within its own syllabus was its own fault.

I'm not sure what the current feeling is about how this works. We have not yet had administered an EA2 under the new structure, even though the exam is totally prepared and we are awaiting candidates for next month's sitting. At the moment, I think this Section should look at what the Society should be doing for their exams. The requirement of the Joint Board is two exams, and if the Society wants to label those a piece of 9 and a piece of 10, I don't think the Joint Board will get all bent out of shape. The Joint Board needs two exams. If the Society wants to joint-sponsor they can label them what they want to label them.

MR. KANE: The combination of a good pension mathematics exam, which is now EA1, replacing perhaps a weak compound interest and life contingency exam, and EA2, which is now both mathematics and law, I think is certainly an improvement over what we had. Perhaps more fine tuning is needed and perhaps it is not perfect, but part of the problem is that the Society, based on their letter of intent back in 1977 or 1978, and the E&E Committee have been somewhat bound by the fact that they are administering the Joint Board exams. They really have to do the best they can with what they have, or forget it all.

MR. TROWBRIDGE: As far as how we got where we are, in the first place, I'm no expert on it and, in the second place, I don't care too much about it. The important thing is where do we go from now on. If there were mistakes made in the past, so what. There's just no sense in crying about the past. I've got some theories about what might be done about it, but I haven't thought them through very fully and I'm far from saying that I've got the answers. I suspect that the thing I would probably like to see would be to make Part 7 a non-specialized exam that all actuaries should take. Then let the specialization, anything special for EA1 or EA2 or anything else, follow in Parts 9 and 10. That would help it some, but that's no great solution.

MR. GRUBBS: One position from which we need to view the question of what should be on the exams is from the perspective of someone who became an

associate this spring and is asking the question, "Should I become a Fellow? Should I take the rest of these exams?" It's an awful lot of work and in many cases his employer doesn't care whether he becomes a Fellow of this Society or not. So he's going to look at the syllabus and ask the question "Is this going to help me?" Right now he sees a lot of things that don't seem to bear directly on his work and if we continue to have such a syllabus, with a very substantial amount of non-pension items on it, he is going to answer the question - "No. I will not pursue those exams."

MR. TROWBRIDGE: As a matter of fact, in that same argument, you don't have to be an associate either. I mean if you really want to be a pension actuary, and act as an Enrolled Actuary, there's no particular incentive to do anything but pass the EAL and EA2 exams. It's not a matter of proceeding beyond associateship, you don't even have to get there.

MR. GRUBBS: There is, however, an enormous amount of pension material than can be helpful to people, certainly enough to cover 5 exams. Just as an example of some of the things we ought to be looking at, I feel that we need much more content on investments for pension funds. I think if one looks at the range of topics covered in the McGill text, which I am not claiming is perfect, one will see that there are areas which are not covered adequately in our structure. If one looks at the range of topics which will be on the program of the Conference of Actuaries in Public Practice meeting or on the Enrolled Actuaries' agenda, one will find a lot of topics that we could well add to the exam structure. I think that there's lots of content there - lots that pension actuaries need to know that can well fill five exams.

MS. VIRGINIA OLDS: I happen to be a student that just became an Associate in November and I'm looking over the syllabus now. I'm a consultant, and I find really no problem with anything on the syllabus. I deal enough with different clients that I need to know different things about group, I need to know different things about life and I need to know different things about pensions, even though pensions are my primary responsibility. The thing I have noticed, and I'm sitting for Part 9 this fall, is that the pension syllabus, or the pension information on the Part 9 syllabus, is much more up to date than the group information is. I'm reading Records from 1979-1980 for group. The pension information does include the 1983 laws that went into effect. The one thing I would like to see changed is the fact that of the 5 Fellowship exams, $3\frac{1}{2}$ are offered in the spring and only $1\frac{1}{2}$ are offered in the fall. For those of us that are consultants, most of our work is in the spring and $3\frac{1}{2}$ Fellowship exams is a little bit heavy. I'd rather see it $2\frac{1}{2}$ - $2\frac{1}{2}$, or even possibly 2 and 3. I would like to see that question addressed.

MR. RICHARD G. SCHREITMUELLER: I was very pleased at that last batch of comments. I think we needed that. I just wanted us to remember that although we are part of this Society, we need not be as insurance company oriented as there are many other things that the Society does. I think some of the possible shortcomings that Don Grubbs pointed out a minute ago stem from our origin in the insurance industry. We must continue to emphasize the fact that this has no real bearing on why this Section exists. If you look at the program for this or any other Society meeting, you'll see a number of subjects on it where they'll, for example, talk about investments, when what they really mean is 'insurance company

investments'. Another example would be a topic like annual statements and what they really meant is insurance company annual statements. Insurance company actuaries live in a little world of their own but its not our world. I don't think we ought to live in our little world either, but let's just remember who we are.

MR. TROWBRIDGE: I don't quite agree with this investment example. I think there was a specialized investment program at the New York meeting which I didn't actually attend. The investment problems of the pension actuary and the investment problems of the life insurance actuary have got so many things in common. I've been in both fields quite a bit and I tell you they're the same problems. The one place, as a matter of fact, where the investment problem really doesn't arise is in the area of social insurance, and that's because we have a pay-as-you-go system. Incidentally, I want to make it clear that within the scope of the Pension Section is certainly social insurance. Now I don't really mean by that the medicare part necessarily, but OASDI system and the railroad retirement system and all forms of pensions are within our scope. They don't have to be private, they don't have to be governmental. The social insurance system, especially in some of its pricing and so forth has some very interesting aspects that really aren't on the syllabus to the degree they ought to be, but they'll get there.

If there's no other comments, we'll stand adjourned.

