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## **Palm Desert Spring Meeting**

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### **Session 125CS**

#### **Information Resources: The Pension Actuary's Safety Net**

**Track:** Pension

**Key words:** Pension Plans, Employee Benefit Plans, Legislation and Regulation

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*Summary: Pension actuaries need data for setting assumptions, comparative information, and technical analysis. For actuaries, this can be like walking a high wire without a safety net unless they have good resources. This session focuses on what information is available, how to find it, and how to use it.*

**Mr. Richard G. Schreitmueller:** This session has two titles: "Information Sources for Pension Actuaries," and the "Actuary's Safety Net." These are things that you're very happy to have to help you do your job. They are tools that we hope you can learn to use. We also hope that you may contribute something from your own experience because, as you'll see, we represent a certain type of viewpoint and experience, and yours may complement that.

We have approximately 20 people in the room. First, how many of you work for insurance companies? How about consulting firms? Looks like almost everybody. How many work for large consulting firms? It looks like about 10 of 14 are from large firms and about 4 are from relatively smaller firms. There's a difference in the amount of in-house resources you're likely to have, depending on the size of the firm. Does anyone else who didn't fit into one of those categories want to raise their hand? One works for a plan sponsor. You probably have access to everything because I'm sure all the firms want to send you their materials.

I'm with AON Consulting in Baltimore, Maryland, and I spend some of my time in Washington, D.C. I'm an FSA, and an EA, and I've spent about half my career, meaning 20 years, in pension consulting in the trenches, so to speak, with clients.

The other half, the more recent half, has been in the research end of things, starting with the technical aspect and emphasizing more and more the governmental regulations and what is happening in and around Washington. I will bring you the viewpoint of somebody who's with a large firm and who has plenty of gray hairs. I go back to the days before they had calculators and other electronic equipment. Mostly I depend on things that are made of paper.

Judy Anderson, fortunately, has a different viewpoint, though we overlap. She is on the SOA staff. Judy has been in the pension business for 18 years, and, like me, spent about half that time in the trenches as a consultant with a big firm. For the latter half of her career, Judy has been the Society's pension actuary on staff. Judy does a variety of things in that capacity. She's involved in the education and examination system, especially with things such as study notes and examination questions involving both pensions and the basic mathematical examinations. She also is heavily involved in the Society's activities for the Retirement Systems Practice area, and perhaps most important for our viewpoint, she produces that document called *Statistics for Employee Benefits Actuaries*. She answers many oddball questions from people not just on the staff but other people like us who come at her with different questions related to pension practice. She will bring you a research viewpoint. She's a baby boomer and she's wired into the Internet and Actuaries Online. I can tell you where you can get a copy of something through the mail. She can tell you how to get it in the next five minutes if it's out there in cyberspace. In addition to trying to give you information, Judy wants to take advantage of this opportunity to get your views on what the SOA could be doing to help pension actuaries do a better job and give them better tools.

First, we have many different kinds of information for you. I don't have to tell you about the information overload that's happening. The trick is to know what you need, to get what you want, and to do it in a way so that you have some time left to do your real job. In the first part of this talk, we will try to define different generic kinds of information. Then we will zero in on some particular needs and show how you can fill them, using some alternative sources. There is no definitive way. It depends on who you are, where you are, what you want, and what sort of things you already have.

There are a half dozen sources of different kinds of data that you might need: government rules, actuarial data and tables, actuarial and accounting standards, discussion and analysis of issues, practices being used (survey data) and problem-solving help, and specific cases. For instance, government rules include the usual agencies: ERISA agencies, the Congress (laws that are on the books and some that they're thinking of), and also the courts. Plenty is going on in the courts, and some of it involves pensions. Actuarial data and tables are needed to make assumptions

and do calculations. Judy is more involved in that end of things. Next are actuarial and accounting standards from several sources. They may not be something you need every day, but you must be aware of them. Government rules, actuarial data and tables, and actuarial and accounting standards involve hard facts. There's not too much dispute about what's there. You just get it and use it.

The second three sources of data get into interpretations. On some of these you will get discussions and analyses of issues from every side. They're available all around you. Also, there are survey data and raw data on practices being used by plans and by employers. Finally, when you get right down to the specific problem that you're puzzling with, there comes a time when you might want to ask individuals: "Here's the ABC Company. What can I do? How can I take the next step? Where should I look?" There's plenty of that kind of help available. This is general information that is available, but in all cases it has to fit your situation because, as we found out, you might be with a large firm, a small firm, an insurance company, or a plan sponsor.

Many years ago somebody told me something that I found to be very true about pensions that had never occurred to me, but seemed more obvious as I thought about it. There are really four kinds of pension plans, and they're all different. As an actuary, or a consultant, if you have information and answers that fit one of them, there's a good chance they don't fit the other three. We're just talking defined benefit now, not even defined contribution. It depends on the sponsor, mainly. Many rules are set up and most of the material that you see is set up for the large corporate plans. Those of you who deal with small plans or have some familiarity with them know their objectives are different and the way they do things is different. As an actuary, you will do your job differently for a small plan, especially if it's one of these doctor situations.

There are also multiemployer plans. Those are entirely different plans, and the law has become more specialized for them. They more or less run on their own track.

Finally, there are governmental plans. Years ago we used to look down our noses at governmental plans. They were political and many things were dictated to us. You didn't have as much chance to be an independent actuary. We looked up at them and said, "Gosh, those guys can really do actuarial work, and we're just following all these rules." But for governmental plans, there are many differences in what you do and how you do it so the information that you'll need will also be different.

Most pension actuaries also do other things. They work on health plans, welfare plans, defined-contribution plans, computer programming, and countless other plans. If you're with an insurance company or a plan sponsor, you will need to

know other kinds of things. Beyond just the basics, some of you will have more need for certain things than others.

**Ms. Judy Feldman Anderson:** I'm curious, how many of the people here work on health plans as well as pension? Six.

**Mr. Schreitmueller:** Why don't we try the other ones? Does anybody work on multiemployer? Three. How about governmental? Looks like about five. Also, some of us prefer more modern technology and some of us prefer paper. In the electronic material, as we'll see, several sources are very relevant to actuaries. Last, but not least, you must have personal contact. If you're using electronic media or paper, you may never have seen these people, but they will be personal contacts. With voice mail and all these other advancements, things are getting more remote, but at the same time it's much easier to contact people and get something back.

Just to digress for a second, some years ago I was on the Membership Committee of the Conference of Consulting Actuaries. To get into the conference three actuaries must write a letter saying what a good person you are. I was one of the people who would read all these letters, and they would say, "Joe Smith, prospective member, will be a good member. He's a good actuary. I used to work with him at the ABC firm or insurance company, and I still contact him frequently with technical questions." Over time you build up a network of people whom you can go to that you trust, but at the same time you don't necessarily buy what they tell you hook, line, and sinker because that's not the way the system is supposed to work. We'll get into that a little later, but if you're stuck or you're not sure you've thought of everything, it's a great way to get some more information. There are a few lone rangers out there still, but I think it's getting harder to make that work unless you have a really specialized niche practice and you are a really smart person.

I want to distinguish now between two kinds of information—news and references. News is something that you will get from periodicals—newspapers, magazines, or bulletins put out by organizations that you're affiliated with. They might be regular or they might be ad hoc. If something big comes down the pike, a special issue might be printed. But the point is you just sit there and the periodicals come into your in-box, whether you try to make that happen or not. It's automatic that you will get this through newsletters or other forms of media. You will get a certain amount of information that way, and you'll keep up with what's going on if you're getting the right materials.

Besides that, there are references. Generally speaking, these are things that have been out there a while. They've been stored in some kind of a library facility, and you pull them out as you need them. It might be as simple as your own bookshelf

where you have the Internal Revenue Code (IRC), it might be a fancy database, or anything between. That's one way to select information, and you certainly have both kinds. As we alluded to before, you need both facts and opinions or interpretations for the facts. One set of that is plenty, but for the opinions and interpretations there's no limit to what you might want to choose. You want to be selective and get the ones that you're going to believe.

Let's get into more detail. We have what we call primary sources, and primary sources are always the best if you want to go right to the exact wording of the law, the rule, or whatever it is. These are about as factual as you're going to get. They come from the different branches of the government. The *Federal Register* is a good source, if you have access to it. There are agency rules and regulations, which you can get directly from the agencies, and then there are things that are lower on the food chain, such as opinions and announcements and things that might not even make it into the *Federal Register*. For my money the best source of those things is the *BNA Pension Reporter*. I've been reading it for a long time, and nothing important will happen in the pension field without being in the *Pension Reporter*, particularly if it has anything to do with the government because that's what the Bureau of National Affairs (BNA) is in business to do. It reports on the government. A competitor is *Tax Notes*. We get that in our firm electronically. I think it's available as hard copy also. It is supposed to be very good, and the parts of it that I've seen are up to par. Then there's the *Academy Alert*. This is the only actuarial source that I'm familiar with that has up-to-date news. If something important happens, there'll probably be something on your desk Monday if you subscribe to the *Academy Alert*; however, it duplicates some of these other journals.

**Ms. Anderson:** How many of you have access to the Internet? Just about everybody. How many of you have ever used it to find things such as the text of a regulation or things of that nature? Five. That's great. Dick mentioned that I work on *Statistics for Employee Benefits Actuaries*. When this book first began, we at the Society were at the mercy of the larger consulting firms to provide information. During the past couple of years, I discovered that I could find enormous amounts of this material on the Web. For current liability interest rates and midterm applicable rates, you just visit the IRS Web site and download all the relevant IRS bulletins.

The other thing that I was delighted to find was access to much of what the Canadian government puts out, which is harder for me to get in the U.S. When I wanted the paper on Consultations on Canada Pension Plan, I found it on the Web. The *Federal Register* is available, as well as a vast amount of related material. My advice or suggestion, when it comes to looking for this kind of material, is to just go out and see if you can find it, and chances are you can. That's how I stumbled upon these things.

**Mr. Schreitmueller:** I'm affiliated with several organizations, and they're all furiously putting up more of these sites and bulletin boards and making me feel more guilty that I'm not doing these things. It's changing very fast.

**From the Floor:** Did you say that all the material from the *Statistics for Employee Benefits Actuaries* is on the SOA Web site?

**Ms. Anderson:** Actually, most of the material in *Statistics for Employee Benefits Actuaries* is on the Web site. What is missing are Tables 8 through 15, which have a great deal of the economic information—stock indexes, the Consumer Price Index (CPI) information, and so forth. Those tables include a certain amount of analysis and are provided to us by Towers Perrin. The people there want to restrict access to it. What we're trying to work out is a way to link from the Society's Web site to their Web site so that you access it and receive the updates as well. In the meantime, I think not all, but a good portion, of the numbers, at least the raw numbers, are available on the Internet: the CPI, wage indexes, etc.

**Mr. Schreitmueller:** Perhaps an equally important part of news is opinions and interpretations and discussions of current events. They come from a number of sources. General sources are available to the whole world. You don't have to be an actuary to get them. Those that are particularly aimed at actuaries are some of the loose-leaf services. These are difficult to keep up-to-date. I think their importance will diminish with time, but they still are being used by us and I'm sure by many other people. Some clerical people will be very happy when those go away forever.

Commerce Clearing House and Research Institutes of America (RIA) are a couple of names that come to mind. Am I leaving out anything important?

**From the Floor:** RIA is going to CD-ROM.

**Mr. Schreitmueller:** That's a big help. How often are those CD-ROMs issued?

**From the Floor:** I think it's monthly.

**Mr. Schreitmueller:** That's timely. Professional meetings. Here I'm thinking not necessarily of actuarial meetings, but a number of other professional meetings where there are transcripts, and the sessions get reported on. Often government officials, who are all lawyers, will appear at these meetings and say things that are worth hearing. You can get those reported one way or another. I get most of that from the *BNA*, and I think it's very worthwhile. You can stay ahead of the curve if you pay attention to some of these things.

Another very important source, is newsletters, magazines, and the general press and newspapers. I will mention a few of my own favorites, and I'll ask if you have any of your own. In the general press I have heard that there are four major, highly regarded newspapers in this country, and I'm lucky enough to get three of them: *The Wall Street Journal*, the *New York Times*, and *The Washington Post*. Being on the East Coast I don't get the *Los Angeles Times*, but that's also in the same category. If you read one or two of these newspapers, you can keep up with political and general news. You can follow some of these things more on a day-to-day basis if something important is happening, and there's a surprising amount of good reading on areas related to retirement planning.

I'm not so keen on magazines, partly because they take a while to publish. Reading one or two is a lot. I happen to be on the editorial board of the *Journal of Pension Benefits*, and I think it is good. The one that I like in a different way is *Pensions and Investments*. You'll see things in there that you won't find anywhere else. It comes out every two weeks.

Finally, with newsletters, you get a few just by paying dues to all these actuarial organizations. By belonging to some lobbying organizations, you get some more. *Pensions Benefits Update* is a specialized newsletter involved in governmental plans only. It's good, and your government clients probably get it. It wouldn't hurt to know what they're reading. It comes out four times a year and doesn't cost all that much.

There are experts at the federal agencies who will appear at professional meetings. You get a chance to ask questions and get answers, or you can just listen to the session tapes if you don't happen to attend. You can also see them quoted in the press, especially in journals such as the *BNA Pension Reporter*, where they will issue some pronouncement that has some element of truth. I'm told that the IRS put the lid on this. The people there think that the staffers have been talking more than they should. It isn't that their statements are not true; it's just that the IRS likes to time things and put them out on their own agenda. So, I don't think you'll be seeing quite as much this next year from the IRS as you've been seeing. Whatever you do see has proved to be reliable as to what they're going to do. We don't get too many surprises anymore when something comes totally out of the blue, and that's a good thing.

The PBGC, I find, is much the same way. There aren't too many surprises if you pay attention to the things that are supposed to be happening.

Let's discuss lobbying groups. I'm active in the Association of Private Pension and Welfare Plans and also in the ERISA Industry Committee. Those are specialized. I

don't think the average person in this room would be too interested. I do it because I can learn things for my firm, and it supplements some of the other sources. If you're with an insurance company, the ACLI is a very good organization. You can learn a lot from its people. There are some real experts.

One of the things I found about magazines is that many are aimed at plan sponsors. Many articles are well written, but they bring out some problem about an issue and warn you to really watch out. These can be tricky. If you want to know more, talk to me because otherwise you might step into a pitfall. There are many articles like that—they're good in their own way, but the authors are selling something subtly for themselves or their firm. If you want that, that's fine, but I think there are more efficient ways to get most of the technical information that you need.

I want to leave you with one last thought before Judy takes over. In these interpretations a lot is technical—what you might get from any actuary or lawyer—but you will find other things where there's some spin and the individual has an agenda. For example, I wrote a magazine article a couple of years ago, and I put in exactly those kinds of things. You want to be very careful that you talk to an expert about the subject. Of course, I was an expert and I'd written the article. You will get that from people in consulting firms and government agencies.

At my earlier session I had believed something about three-year vesting. I didn't read the fine print, but this democratic bill is not just 3-year vesting on employer match on 401(k) plans—it's 3-year vesting on everything. The press release didn't bother to mention that. You had to dig because the press release had its own spin. Lobbying groups and even the media do this. A headline that I saw the other day said something like "*Money Magazine Reveals Excessive 401(k) Fees.*" It had done a survey on some conclusions, and we were reporting it in our in-house material. I wanted to change that headline to "*Money Magazine Criticizes 401(k) Fees,*" just to take the spin off of it. Stick to the facts. We haven't lost a thing except somebody else's spin, which we may or may not agree with when it comes right down to it. That is always going to be in there, so you have to look out for it.

**Ms. Anderson:** I have a question. I work with the Committee on Retirement Systems Professional Education & Development. Its charge includes providing information to the members who are pension actuaries. Would it be useful to have a list of these nonactuarial sources available on the SOA Web site with just a little hint of what's in each one or what the particular specialty is? The one that comes to my mind is a journal, *Compensation & Benefits International*, that I like to look at just to have an idea of what's happening on the international front. Would that be useful? All of these things will get recorded, and we will be following up on them.

**From the Floor:** Why don't you go even further and have a list of Web sites?

**Ms. Anderson:** Actually, we do. We have a large list now.

**From the Floor:** In your book of pension statistics, it would be useful to have references to where we could get those in machine-readable form.

**Mr. Schreitmueller:** That segues right into our next topic, which is discussions and interpretations that you can get from actuarial sources. I'll just list them. There are actuarial meetings. There are a number of major actuarial meetings from a pension actuary's viewpoint. The EA meeting is in Washington in late winter every year. Two Society meetings have substantial pension content: the Spring Pension and Health meeting and the Annual Meeting, which has quite a bit on pensions and health. Two other fall meetings are a little different. By and large, the pension people at the Conference of Consulting Actuaries conference meeting tend to work on the big plans with the big firms. The American Society of Pension Actuaries (ASPA) meeting is more the other way around, with small plans and small firms; however, there's overlap. It's not quite that cut-and-dried. Finally, there are SOA seminars on specialized subjects. For example, one is coming up in June 1997 in Atlanta on total retirement planning. Tapes and the transcripts from the meetings are also available. SOA transcripts were in the blue, paper-covered *Record* which hasn't been produced for about a year. It's now electronic on the SOA Web site

We also have the EA meeting gray books. On the food chain of federal regulations, they do not have the status of laws, regulations, revenue rulings, or very much else. But they do represent the opinions, more or less for the record, of some people from the Service and the Treasury and their viewpoints on certain technical problems that we may never get guidance on in any other way. When you're in a desert and you're dying of thirst, any kind of water that's available is going to look good. That's why the gray books are so important. People still quote and rely on things from years ago because it's all there is. What's been happening during the last five or ten years is that they have gone through a fairly formal process to construct the questions and give them to the Service. The Service responds with answers. Some things they'll answer, and some things they won't. If you attend the EA meeting, it's a book with a gray cover on it, but it's also available electronically.

Finally, we have three pension newsletters by and for actuaries. One is the *Enrolled Actuaries Report*, which is put out by the Academy. It was started to give pension actuaries reasons to be members of the Academy. There's no such publication for health actuaries or casualty actuaries. You never know what you're going to find in the *Enrolled Actuaries Report*, but there's a lot of good material.

*The Pension Actuary* is the monthly newsletter of the ASPA. I have a lot of respect for that newsletter. I file my copies away where I can find them. I distribute certain articles around the office within the firm, either in their original form or a paraphrased version that I make look like I made that up myself.

Finally, there's *the Pension Section News*, which comes out of the SOA Pension Section. Not all of their articles are technical, but many are. There are some good ones.

**Ms. Anderson:** I would like to add that the minutes of the SOA committees and task forces working on retirement-related issues generally appear in the *Pension Section News*. It's a way to keep up with what the SOA is doing. If we're not doing something you think we should be doing, then you can let us know.

The Retirement Systems Professional Education & Development Committee is also sponsoring a column that will be appearing regularly in the *Pension Section News* on hot consulting issues. It's not on things that are going on in Washington or changes in the law. It takes a broader view of what issues to consider in the consulting arena and the things clients might be talking about. Each column will be contributed by one of the major firms. It will be an exciting addition to the *Pension Section News*.

**Mr. Schreitmueller:** The Pension Section dues are something like \$15. I think it's a good deal.

Perhaps this is a good time to mention a publication that has not been kept up to date—*References for Pension Actuaries*. It took all the pension and health sessions at these major meetings and categorized them according to 70 or 80 different categories; 403(b) plans or defined-benefit versus defined-contribution plans, for example. Anyway, it has not been issued since 1994. I don't know if there is as much need for it now as there was back around 1989 when it began. I got very frustrated with the way the EA meeting transcripts were indexed, but they've improved the index. It's easier to find what you want from these meeting, and perhaps it's easier to use computer-generated methods too.

**Ms. Anderson:** Yes. The sessions from the SOA meetings will now be published electronically. They will be available on the SOA Web site. One of the advantages we get from doing that is we are able to get them out to you much faster. If the recorder from one session is late returning the transcript, fine, we just don't put that one out until we get it, but we don't have to wait to get all the sessions in and then go through the whole printing process. We hope they will be much more

accessible. You'll have them a lot sooner, except for that late recorder, and then you'll know that the problem was with that late recorder.

**Mr. Schreitmueller:** The transcripts of the EA meeting are a good basic reference. Many sessions come up year after year; funding methods, for instance. It's a good way to stay in touch with these things.

The decision on publishing the *Record* electronically, by the way, was voted on at the Board level. There was a significant savings of \$10–\$20 per member on the cost of running the Society. I put out an e-mail in my own firm asking for feedback before I voted. I got several responses, all saying let's save some money.

**From the Floor:** Are the EA transcripts on the Web site?

**Ms. Anderson:** I don't believe so.

**Mr. Schreitmueller:** I know they're available on diskette.

**Ms. Anderson:** I believe you can go through the Conference to get them.

**Mr. Schreitmueller:** Yes. Our next subject is references. First we will talk about primary sources, the ones that contain the hard facts: the laws, rules, court decisions, and new government forms. I think it's a really good idea if every pension actuary has a handy source of ERISA and the IRC, both the law and the regulations. Those are available in paperback, and in our firm everybody gets an updated one every year. I take last year's home; that way I have another set at home that isn't too out-of-date. They get a lot of use.

Beyond that, there are loose-leaf services and some electronic sources, both for government documents. Lawyers, more than anyone, swear by electronic sources. They are good for those government forms.

**Ms. Anderson:** I want to let you know that the SOA library does have access to Lexis-Nexis and some other searchable databases for finding articles on particular topics. I've used it when working on some of the research projects that we've been doing at the SOA. I usually find many references that way. There's a charge for the search, \$25 for a subject search, and you get everything they can find. It's a handy tool to use, and it helps save some legwork and time.

**From the Floor:** I was at home one day and needed a reference. I just went on the Internet and did a search on the IRC. You'd be surprised at how much of the entire code you can locate.

**Mr. Schreitmueller:** That's a good point. All laws and regulations are on the government bulletin boards, and they're available if you know how to find them. My own preferred method is to e-mail our research department in a distant city and tell them what I want. I usually get it back about an hour later. It's just magic.

**Ms. Anderson:** A Web site called "Benefits Link" is mainly used by plan administrators. It has links to sites where you can get the law and the regulations on-line for free. The address is [www.benefitslink.com](http://www.benefitslink.com). I believe it started at a university. Many of the plan administrators on it are running university employee plans.

**From the Floor:** The Internet is not only the Web. It's many other services such as Gopher, FTP, UseNet, and so on. There is information in those places that you can sometimes reach via Web searches. Sometimes those sites are even better because the Web can be heavy in graphics, and its HTML language can be incredibly slow. Some of these other sites are text-based and they're really fast to search and download or print from. They may be even more useful than the Web sites.

**Mr. Schreitmueller:** What impresses me is that somebody with the biggest firm in the business, Mercer, still finds it useful to do some of this. You just can't draw the line and say that only the small-firm people are going to be doing these searches. Anyone can search.

Moving right along, here are some places where you can get some more discussions, analyses, opinions, and interpretations. The loose-leaf services have plenty of interpretations besides the hard facts. *Tax Facts* is put out by National Underwriter. It's good. It's a Q&A thing, and it is updated every year. It's in two volumes. The first volume has to do with benefits, and the second has to do with everything else. For most people, Volume 1 will do just fine. They will also tell you which revenue ruling or whatever they're basing their answer on. If you want to go back to the source, you can check it out.

I also have several references listed that I don't personally use, but which have been highly recommended. One is called the *Pension Answer Book* which is a whole series. There's a 403(b) answer book and a 401(k) answer book. The whole series is on CD-ROM.

Then there's the *Tax Management Portfolio*. This is put out by the BNA and covers various specialized subjects. New editions are put out every so often. It's a good place to get a current discussion of some interesting technical issues.

Finally, there's West's *Qualified Retirement Plans*. I know that some of the lawyers swear by it. Now we'll segue over to Judy because she wants to talk about some SOA publications.

**Ms. Anderson:** I don't know how long ago you all took the examinations, but back when I took them, if somebody would have told me that I might want to see a study note again, I wouldn't have agreed. In fact, the study notes get updated frequently, and they have some excellent references, particularly if you're starting to do work on a type of plan that you're less familiar with. The study notes that we use come from a variety of sources. They are not all written for the sake of students taking the examinations. Often they're from publications the consulting firms put out. Sometimes they're excerpts from books or periodicals. They're all very helpful.

Many study notes are updated every year or two, especially if the note is on topical information that changes quite rapidly. Each of the study notes is available singly. You don't have to buy all the study notes for an SOA course or anything like that. I think they're reasonably priced. We do get calls at the SOA office from people looking for them. They are always available to you through our study note coordinator.

**Mr. Schreitmueller:** The trick is to know that you want one in the first place. If you're just getting into some subject and know that there's a study note on it, you'll have a reference that's recent and written by some knowledgeable person. By the way, I was once responsible for a study note, and I can tell you they get reviewed. I have a lot of respect for what finally gets published as study notes.

**Ms. Anderson:** If you don't know whether there's a study note, you can always give us a call at the SOA office. If it's something we have, we'll get it to you without any problem.

The last item on Dick's list is *The Pension Forum*. Those are the small, tan-colored pamphlets that don't come out on a regular basis. *The Pension Forum* is published whenever there's enough material to warrant the printing cost. They tend to have the longer articles and papers that you won't see in the *Pension Section News*, which is dedicated more to short, newsy articles.

**Mr. Schreitmueller:** They're not peer-reviewed to the degree of a paper in the old *Transactions* or the new *North American Actuarial Journal*. It's much more difficult to get it published in one of those places. These are just papers that practitioners and the editors thought were worthwhile.

**Ms. Anderson:** Many interesting things have been covered in there. One that we are frequently asked for at the SOA office is a study of turnover rates that appeared in *The Pension Forum*. Later when we talk about turnover rates I will ask for help. We are still getting calls from people who want a copy of the T tables, which were created in the 1950s.

**Mr. Schreitmueller:** They go back further than that, I think.

Let's turn to what's actually happening with plans. It can be very difficult when a client wants to know what the competitors are doing, either within the industry, the town, or the same union. I'm going to list a few of them here, and we're going to ask if you have better ideas. We both worked for Wyatt at one time, so we're kind of familiar with the "Wyatt Top-50 Survey," which describes the pensions and savings plans for employees at the 50 biggest industrial companies. Unfortunately, they stopped updating that recently. Those plans don't change too fast, so what we have available now is not too far out-of-date. Of course, it's going to get more outdated as time goes on.

*Spencer's Research Reports* are published by the same company that publishes *Employee Benefit Research Reports*. It's a loose-leaf service with some good information about things such as early retirement windows, vesting rules, and whatnot. If you want a survey of some plan provision, there's a pretty good chance you'll find it there. There are also a number of surveys of defined-contribution plans. Buck has also done a lot of good work in this area. I'm sure there are others. Hewitt is always publishing good surveys. I know that they've done exemplary work.

Finally, I've listed the "PENDAT" database. It's put out by the Government Finance Officers' Association. The database is compiled from approximately 300 of the largest state and local plans throughout the U.S., including all states, major cities, and some counties. A very extensive questionnaire about plan provisions gets updated every year. It asks how they are funding, how much money they are putting in, what the assumptions are, how the money is invested, and even who the key contacts are if you want a mailing list. I think it occupies several floppy disks. There's a lot of information. If you are into governmental plans in a big way, you are surely going to be a user of this. If you want to just pull in your horns a little bit, you can get a hard copy report based on this. It's 100 or so pages with key tables listing the main plan provisions for regular governmental people, police, and firefighters. There's an abundance of good material in there. They update it every year and the cost is not high. It's in the range of \$100–150 for the whole thing—the diskettes, the hard copy, everything. The cost is more your time in figuring out how to use these diskettes and getting what you want. It's not put out by a profit-making

organization. It's mainly used by government plan sponsors. Judy, I think you had a couple more, did you not?

**Ms. Anderson:** The only things to add are the *Hewitt Spec Book*, which I'm assuming is still being updated, and the *EBRI Data Book*. I've just had an opportunity to start working with the EBRI book recently. It does not have plan features in the same way that these other references do, but it does have some good reading.

**Mr. Schreitmueller:** The *EBRI Data Book* is the size of a small telephone book, and you can get it either in paperback or hard cover. It has lots of information, much of it based on government-wide surveys. It isn't always up-to-date, but it covers a lot of ground, more so than many privately done surveys, which tend to be more selective.

**Ms. Anderson:** Interest, mortality, turnover—most of that is covered or is easily accessible via the Internet as well as in *Statistics for Employee Benefits Actuaries*. A number of Federal Reserve banks have sites with the Federal Reserve newsletters. You can get the most recent interest-rate information from these very quickly and easily. Revenue rulings and IRS bulletins are all available on-line. As I mentioned before, the PBGC is on-line.

**Mr. Schreitmueller:** Two economists, Ibbotson and Sinquefeld, (I'm sure many of you have heard their names), wrote a classic paper about 25 years ago. I think they were affiliated with the University of Chicago at the time. Anyway, the name of the paper was "Stocks, Bonds, Bills and Inflation," and they did something that today seems very obvious but was revolutionary then. They took the time series of four kinds of economic data, involving the stock market and other securities markets, and they tracked them for about 50 years. They have been updated, so now it's in the range of 75 years. I don't know exactly, but this information is available at least year by year and probably more often than that. It may be month by month. I can't recall.

A very important index is the Standard and Poor's (S&P) 500 stocks, which is a proxy for the stock market. It's on a database and although it's only the bigger stocks, they not only took the price that you would look up in the newspapers, but they put in an additional amount for the dividends. It's a couple percent higher each year than what you'd get with a ratio of what's in the newspapers.

Another one is the 30-year bonds and Treasury bills. They were tracking bonds and had Treasury bills that represented the pure short-term investment yield, and, finally, inflation as measured by the CPI. They found that Treasury bills over the

years had more or less kept up with inflation. They give you very little, if anything, in the way of real return over and above inflation. You're staying even if you invest in Treasury bills.

Then there are long-term bonds. Over the years, as the long-term interest rates changed, they really did not yield more than Treasury bills. There was a yield, and the reason that there was a yield, as you might surmise, was because an interest rate risk was involved. If they're corporate bonds, there's a market risk, a liquidity risk, or just a risk that you won't get your money back. They found that the yield was somewhat higher on bonds. There were plenty of years when the stock market went down, but there were many more years when it went up, and this is where you see these things quoted. Over ten-year periods the stock market has almost always done well. That's where they're getting it from, Ibbotson's database.

You don't have to reinvent the wheel. It was a classic opportunity that these guys took advantage of, to step in and put out some useful numbers, and they've been associated with them ever since.

**Ms. Anderson:** *Statistics For Employee Benefits Actuaries* used to be called *Statistics For Pension Actuaries*. The name changed after we added a whole lot of information from the Health Care Finance Administration (HCFA) to the book. It is sponsored by the Retirement Systems Professional Education & Development Committee, the Pension Section, and the Health Section (since the HCFA Medicare information was added). The advantage of the book is having everything in one place that you can get at quickly. We also have most of the tables in the book on-line. It was expanded to include *Moody's Corporate Bond Yields*, when the SEC letter came out about FASB assumptions. We also added a list of mortality and disability tables with the reference sites.

Then there is the *National Health Expenditures & Medicare Costs* both for past years and the HCFA projections for the future. We even show the rates that the HCFA is using for its projections. This is helpful when doing something like a postretirement medical study or medical cost projections.

As far as mortality and disability tables, all are available from the SOA library and the SOA Web site. You can also get the actual  $q_x$ 's from these tables. The Web site also has reports on new tables that are currently under development. The SOA is working on a table in response to the General Agreement on Tariffs and Trade (GATT) legislation, where it specifies that the IRS will pick a standard mortality table by the year 2000 for calculating current liability. There's a description of how this group is proceeding. This new table also came up in one of the Web site discussion groups.

There is also information on turnover tables. What do you use for turnover tables? I can't believe that all of you are using T tables, and that all your clients are large enough so that you can just use their own rates. I frequently get calls from actuaries at small firms or actuaries working with relatively small clients that they've just inherited asking me where they can find turnover rates for a particular industry.

The T tables are very old. Roger Vaughn, who is a consulting actuary working in the Southeast, did a study of the clients at his firm. It included hospitals, banks, and another category. The most interesting thing in his study was that the shape of the turnover experience was different from what was in the T tables. Thanks to Roger and his study, which was published in *The Pension Forum*, the SOA started on an extensive project to get a nationwide assessment of turnover rates. I believe the report on that project will be available this winter. The analysis is somewhat tricky because of all the recent downsizes and early retirement windows that muddy up the data. Other than these sources, I don't have a good reference to give people who call.

**From the Floor:** I never hear mention of it because I keep hearing T table, but there was at one time more recently something called W tables. I think they were associated with Ga-1971, whereas I always saw T tables associated with Ga-1951. I never hear reference to these W tables, but there were a whole set of them just like the T tables. I probably have copies of them buried in my garage somewhere, but I know they existed.

**Mr. Schreitmueller:** That's interesting because I was an actuary back in the early 1970s battling pension plans, and I honestly can't remember them. I remember the T tables very well.

**Ms. Anderson:** My impression of the W tables was that they were the T tables adjusted for Ga-1971.

**Mr. Rick A. Roeder:** I think that the other variable is the level of benefits that you can't universalize. For many firms, the most logical thing has been to aggregate three to five large, similarly situated plans. Some megalarge plans can really stand on their own experience, but those obviously are the exception. I think the reason that withdrawal tables will always be more suspect than aggregating mortality experience, in addition to the things you've talked about (early retirement window and downsizing), is there will be inherent differences that are due to the benefit levels. Some other parameters of comparability aren't going to be universal, but perhaps regional. They may be in terms of the type of business.

**Mr. Schreitmueller:** Good point.

**Ms. Anderson:** Also in the SOA library are the "Social Security Administration Actuarial Studies" that have been done, Railroad Retirement Board Annual Valuations studies, and so forth. Those come in handy for some of the stranger assumptions such as remarriage rates, or easier disability assumptions.

**Mr. Schreitmueller:** Actuarial and accounting standards are things that we're supposed to keep in mind as we do our jobs as pension actuaries. FASB statements are really aimed at employers, but we all know that we have to work with employers on things such as *FAS 87 and FAS 88*. *FAS 106* and *FAS 35* are also important for our work. The Governmental Accounting Standards Board is something I haven't worked with personally but is important for those of you in the field of government plans. It's analogous to FASB, although at any given time it seems to be about one generation behind. It is doing things the way FASB used to do them before they had the current generation of rulings. There isn't the kind of pressure to do some of those things so it takes a little longer.

The Joint Board has its own regulations. Those are part of the ERISA regulations. If memory serves me, the Joint Board is in Title III of ERISA, which doesn't have many regulations. There are things like, what is the exact meaning of core credit? why does a session get noncore credit instead of no credit or core credit? and how can a firm put on in-house meetings for credit?

The Actuarial Standards Board (ASB) is important if you pay dues to any of the U.S. actuarial organizations, be it ASPA, the Society, the Academy, or the Conference. They all subscribe to the ASB, so you are bound by its standards. The ASB makes for dull reading, but it doesn't hurt to go through them and see if anything jumps out at you.

Finally, there's the Actuarial Board for Counseling & Discipline (ABCD). It doesn't put out a lot of material, but the people there are only a phone call away. If you have some knotty, ethical problem, they'll be glad to talk to you. They have some good people, I know several personally, and I can recommend them very highly.

**Ms. Anderson:** Well, I'm sorry to say that, to my knowledge, the Joint Board is not available electronically. However, FASB is on-line through Rutgers University. And as far as the ASB and the ABCD, the AAA is working on a Web site and hopes to post it this year.

**Mr. Schreitmueller:** There is a Cost Accounting Standards Board (CASB). That's a government agency, and I guess I would list it with those miscellaneous government agencies, such as the Equal Employment Opportunity Commission. Some of those

you may get into on specialized problems. My understanding is you will get involved with the CASB if your clients have government contracts. For example, the firm I was with had a big aircraft company as a client. According to the Cost Accounting Standards Board rules, there were certain things that you could and couldn't do, especially if you were terminating a plan with a surplus. They took a lot of interest in where the surplus would go. Other government agencies, such as the HCFA and the Defense Department, have their own ways of looking at those things.

**From the Floor:** Is there anything like an actuarial chat room?

**Mr. Schreitmueller:** Yes. We'll get to that shortly.

Let's discuss actuarial assumptions. In my experience, it's very difficult to get a handle on what assumptions are being used currently for large private plans or for Industry X. For governmental plans, I think it is well covered in the PENDAT database. I know it's in the hard copy report. But, when talking about private plans, funding assumptions are hard to come by. The Wyatt Company has surveys that used to be for plans with 1,000 lives and up, but they've come down a bit. They have more companies in there now. I know Buck has done some surveys, but these are not widely distributed and they're also very hard to photocopy. They use colors that don't copy in black-and-white very well. Anyway, often you can find what you want in there. They include both the accounting and funding assumptions.

One of the things that's on my wish list for the Society is that it would somehow sponsor a survey of funding assumptions used by Society members according to different categories of plans and do it on a reasonably timely basis. It would seem to me this is analogous for pension actuaries. I think Judy may speak to that.

I think we've all heard of the Judy Diamond database, which has the Form 5500 information that is sent in every year to the Department of Labor. That has all been put on computers. Judy Diamond gets it, and the company makes it conveniently available. It doesn't cost too much.

I thought that's all there was, but I was corrected recently. Someone told me that Larkspur is also good. In fact, our firm happens to use it. It is an alternative source that is very competitive with Judy Diamond, I'm told, in cost and convenience. It covers more or less the same ground and, as you know, you can get a lot of information from that. I don't think you'll get plan provisions out of it, but you'll get a lot of financial information.

Finally, there are corporate annual reports. We do a survey every year of assumptions being used for *FAS 87* and *FAS 106*. We get them from corporate annual reports. We just get the hard copy annual reports. That's the best way we know how to do it, and we've tried doing it other ways.

**Ms. Anderson:** This is another topic where I want feedback from you, the audience. The Committee on Retirement Systems Professional Education and Development had been talking about doing a survey of assumptions. What's been stalling them are concerns about how quickly it could be done. Would it be useful to get the assumptions that other pension actuaries used two years ago, for example, because we wouldn't be able to get the data together any faster, not to mention the fact that it might be difficult to get this kind of information? I'm just curious how many of you would want to see the SOA doing that kind of a survey.

**From the Floor:** Would it be over a period of time so that you can see the trend?

**Mr. Schreitmueller:** That's what you want to see. Are assumptions going up or down? The spread and all that?

**Ms. Anderson:** It makes sense. Do you have access to these other surveys that Dick mentioned? How many of you have access to the Wyatt survey?

There are a number of different approaches. We could try to get the information off the 5500s, much like Judy Diamond does. We could send survey forms out to all of you and then twist your arms to make sure you respond. The other thing that we could do would be, as the SOA, to get our hands on what some of the other consulting firms are doing and see if they are willing to let us reprint what they are doing. I'm not sure what the response would be. What would be your preference? Certainly with the 5500s there's a delay in terms of how quickly you'd get it. With the surveys there's a risk that the response will be very low. Also, five actuaries might be involved in the same gigantic plan, each sending in the same numbers. Let me see a show of hands in terms of which of those three you might think would be really useful. What about gathering the information off the 5500, doing something like that, and summarizing it?

**Mr. Schreitmueller:** We have one vote for that. Anyone else? I think that's an idea. It's better than nothing, but it does seem a bit slow. What else have we got, Judy?

**Ms. Anderson:** How about publishing, either in *Statistics for Employee Benefits Actuaries* or perhaps under its own cover, some of the results that the different consulting firms have come up with?

**Mr. Schreitmueller:** And pull it out of them.

**From the Floor:** Can I make a suggestion? If you're going to do that, I think that compartmentalization of information will be of value because the small-plan and the large-plan worlds are different.

**Ms. Anderson:** I absolutely agree. The problem is, for this alternative, we wouldn't be the ones getting the data. We would be getting survey results. To the extent that the consulting firm did that kind of a cut, we'd have it.

**Ms. Schreitmueller:** So, you'd just be piggybacking on that information. You wouldn't be doing anything new.

**Ms. Anderson:** It would be just publishing what the firms have.

**Mr. Schreitmueller:** I think the firms that do those surveys are mainly firms whose clientele are big plans and big employers. You're not mucking it up, so to speak, with the smaller ones, but that still leaves a vacuum at the small end unless ASPA is doing something that I'm not familiar with.

**Ms. Anderson:** I'm not familiar with any ASPA survey.

**Mr. Schreitmueller:** Was there a third way of doing these things?

**Ms. Anderson:** Let's try that second one again, given the restriction that it's not getting the data but actually just getting the results that the firms have.

**Mr. Schreitmueller:** But it's even cheaper if you can do it.

**Ms. Anderson:** That's the advantage of it. It would be less expensive.

**Mr. Schreitmueller:** I'm for that one, if you can do it.

**Ms. Anderson:** How many others are for that option?

**Mr. Schreitmueller:** Almost everyone.

**Ms. Anderson:** About three-quarters or more.

**Mr. Schreitmueller:** And there was a final way?

**Ms. Anderson:** Should the SOA do its own survey and send it out?

**Mr. Schreitmueller:** Or perhaps the Pension Section?

**Ms. Anderson:** Yes, send it to the members of the Pension Section. Does anybody like that idea? Would it be efficient? Would you, as some of the recipients of this survey form, be quick to respond? Do you think that's something that would get support from the membership? We would need the consensus of the membership that this was a good thing to do and a reasonable project for us to spend our money on to guarantee that we would get the response that we'd need. Still a good idea?

**From the Floor:** If I received a survey like that it would go into the round file.

**Mr. Schreitmueller:** What if you just asked for a copy of some Schedule B information and crossed out the name of the company? That wouldn't be a lot of work, say, for your three biggest plans.

**Ms. Anderson:** Maybe not your three biggest so we could get a cross section of small and large plans.

**Mr. Schreitmueller:** But you'd want to make this efficient. I think that there's a number of mechanical and administrative issues, but I think it has a lot going for it because there's nothing else out there in the public domain that I'm aware of, which is amazing. We have some problem-solving for specific cases. Informal networking is the last one. I'm familiar with several coalitions of small firms in different regions of the country. There's one I've heard of in San Diego, one in Baltimore, and I'm sure there are others that I haven't happened to stumble across. We're just people who know each other. You might think of them as competitors, but from an information viewpoint they share information and ideas, which benefits them mutually. They're doing on a personal basis what is becoming more and more possible on an electronic basis.

**Ms. Anderson:** I'm going to do another show of hands. How many of you people are on Actuaries Online on CompuServe?

**Mr. Schreitmueller:** Two.

**Ms. Anderson:** How many of you have checked out the SOA's Web site?

**Mr. Schreitmueller:** Looks like about seven or eight.

**Ms. Anderson:** Great. The SOA Web site does have areas for discussions and messaging. I believe they're called discussion forums, much like CompuServe once had. I like the new ones more. The Society is moving toward getting off CompuServe and just having the Web site available. When we first decided to put in an electronic forum, the Internet was not easily accessible by business people. At that time it was still restricted to universities and government.

These discussion forums are wonderful places to post things such as: "Does anybody know where I can find turnover rates that aren't in the T tables? I think they are a good source, especially for people in smaller firms or people whose networks aren't that large.

**Mr. Schreitmueller:** Another one is called PIX (Pension Information Exchange). I have in my hand an article written by an attorney in Santa Barbara, California, describing PIX. The article calls it the research tool for the 1990s, and I just want to quote a few lines from it to give you a feel for how these things work. He says, "New users are sometimes concerned about posting questions, fearing they will look foolish. This is seldom the case. Pension law has grown so complex in the last 20 years that it's impossible for one person to comprehend all, or even most, of it. Even in areas in which practitioners feel comfortable, there are situations, outside their experience, for which advice and suggestions of other professionals can be helpful. But, remember, these other busy professionals, they may lead you to relevant regulations and so forth, but final decision making responsibility rests with you, the user, who posed the question." I think that's as it should be, and we're going to see more and more of these things as time goes on. We've just scratched the surface on some of this. We'll all be working out of our houses some day, and the roads will be empty.

**Ms. Anderson:** My e-mail address is [janderson@soa.org](mailto:janderson@soa.org). Any ideas you have, anything that you think you can't lay your hands on, to the extent that the SOA can help, all we need to do is find out about it, and we will do what we can to make sure that it's provided. You might as well take advantage of the electronic resources.