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Private Pensions

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To protect the unfunded vested liability before the funding target reaches 100%, there would be created a termination protection fund which would require mandatory participation by any plan having unfunded vested liabilities. However, it is not clear whether multi-employer, area-wide plans would be required to participate in such fund.

In the event of a shutdown of a business or operation, which would presumably include a single plant closing, the termination protection fund would cover the difference between the total vested liability and the funding target. Thus, if the funding target expressed as a percentage of the vested liabilities is not met by the assets in the fund, the gap between the target and the actual fund would not be covered by the termination protection fund.

This potential loss of benefits, which could arise from fluctuations in market value or failure to make required contributions, is apparently one problem that the Interagency Task Force is finding difficult to resolve. Mr. Gibb indicated that one alternative being considered is to make such a deficit a legal liability of the company with the same priority as, say, unpaid wages. In the event the employer failed to make up any funding deficit within 5 years, future benefit accruals under the plan would be suspended until the deficit was made up.

One area of particular interest to actuaries in this termination protection idea is the determination of appropriate premium rates for this unique type of insurance. The Task Force proposals are somewhat vague, except to state the position that a uniform premium rate expressed as a percentage of unfunded vested liabilities would be used for *all* plans, as the complexity of measuring the risk of termination would be too great to make a variable rate practical. A rate determination for each plan covered would be required at least every three years, based on the fund's assets and vested liabilities at that time.

Mr. Gibb did not discuss vesting, but indicated that the Task Force is still working on detailed proposals for minimum vesting standards. □

CURRENCY DEVALUATION

by J. Ross Gray

Every company doing an active business in a foreign country is concerned with the problem of fluctuation in the value of different currencies — because its policies will be payable in the foreign currency and it may well, perhaps is forced to, invest in assets payable in that currency.

The obvious way to prevent a fluctuation in the company's surplus due to a change in the value of any particular currency is to have assets and liabilities equal in the currency. This exact balance may be prevented, or rendered undesirable, by a number of influences, such as,

(1) a requirement of the foreign government that a portion of the surplus be held in foreign assets,
(2) the availability, or lack of availability, of safe, profitable investments,
(3) the availability of bonds payable in two or more currencies,
(4) company anticipation of some change in the value of the currency,
(5) book value of assets different from their market value.

Position of Canadian Companies

Because of the recent devaluation of Sterling, and because of the number of Canadian companies which do business in countries where the currency is Sterling or related to Sterling, it may be of interest to see the position of the Canadian life insurance companies at December 31, 1965, the last year for which the official reports are available.

The following table gives the number of companies where the book value of assets in the currency are certain multiples of the liabilities. Some arbitrary allocation has been made with respect to optionally payable securities.

Multiple of liabilities	U. S. Dollars	Sterling & Irish £	British West Indies, $ & £	Others related to £	Total Sterling types	Other
Over 5 times	6	5	–	–	1	–
3 — 5 "	2	–	–	–	–	–
2 — 3 "	–	–	–	–	–	–
1.50 to 2.00	3	–	–	–	1	–
1.20 to 1.50	2	1	1	–	1	–
1.10 to 1.20	3	2	–	–	–	–
1.00 to 1.10	5	2	1	–	4	–
.90 to 1.00	1	1	–	–	5	2
.80 to .90	–	–	–	–	1	1
.50 to .80	–	2	5	–	1	1
.20 to .50	1	–	6	4	–	2
Under .20	–	–	1	–	1	–
	23	13	14	4	15	6

Two observations might be made. U. S. assets have been regarded as a good investment and a safe currency. Sterling of Great Britain has been regarded as good cover for liabilities in British West Indies and other Sterling-related currencies.

These few comments do not touch on the problems which can arise from devaluation, such as rising costs and inadequate contribution to head office expenses.

BY THE YEAR 2000

The Office of the Actuary, Social Security Administration, estimates that the expectation of life at birth by the year 2000 may fall between 69.1 years and 71.6 years for males and between 75.3 years and 77.5 years for females. The corresponding figures for 1965 were 66.8 years for males and 73.7 years for females. At age 65, the estimate for males ranges from 13.8 to 14.8 years and from 16.7 to 17.6 years for females. For 1965, the comparable figures are 12.9 years and 16.2 years for males and females respectively.