



SOCIETY OF ACTUARIES

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The Actuary

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EDITORIAL

WHAT IS AN ACTUARY? Some seeker-after-truth might have studied the program for the Toronto meeting hoping to find at least a partial answer to the question. Whether he or anyone else could distill any truth from forty or more pages of meeting announcements is a moot question. At least the seeker might well have concluded from the varied fare offered that the Society is a *viable* organization.

Perhaps the E. & E. Committee should consider training students for participation in such meetings, which seem to have more performers and performances than a vaudeville show. A future final examination might have a question like this:

"Assume you have attained Fellowship in the Society and that you are permitted to attend the Annual Meeting. Review the attached Program for such a meeting and choose which sessions you would attend *giving reasons*. Suggest an Alternate Route."

Outside the profession there circulates a base canard that actuaries have but an outside resemblance to human beings and that they especially eschew the weaknesses of the flesh. One of the distinguished and welcome visitors at the Toronto meeting, Dr. Ammeter, President of the Swiss Actuarial Association, presented to the Society, on behalf of the Association, tangible evidence to refute the false report. This evidence is explained in the following extract from Dr. Ammeter's delightful speech.

"To retain this day in memory and to demonstrate our special friendship to your Society, I have brought with me a small present. It is a pewter jug with a set of six matching goblets and a platter. The jug bears the inscription:

PRESENTED TO THE
 SOCIETY OF ACTUARIES
 BY SWISS ACTUARIAL ASSOCIATION
 1971

"I suppose many of you may have read that some of the most fascinating traditions in Switzerland have something or other to do with eating. Nevertheless, as you can see for yourselves, this jug and the goblets have nothing to do with eating but only with drinking.

"Such jugs are used on ceremonial occasions practically all over Europe, but particularly in Switzerland and still more particularly in Zurich, my home town. In Zurich, these jugs are closely associated with guilds which in olden times, in the middle ages, determined the political order of the town. The guilds, however, have now lost their political importance, but they still continue to exist as social fraternities.

"In Spring each year the guilds organize a festival to celebrate the death of the winter and the reawakening of nature. A great traditional procession finally stops at a big fire at which a bogey representing the winter is symbolically burnt. The fire, of course, produces an immense thirst. This thirst is then quenched as best one can in the cellars of the guilds, where the wine is poured out of just this type jug. I have been told that on these occasions people drink slightly more than is strictly necessary to quench the thirst.

"As the potential of thirst varies, there are naturally different sizes and dimensions of pewter jugs. We considered that for our American and Canadian friends a large-sized jug would probably be more suitable, since the enormous tasks of the President and his Committee Members must necessarily lead to very dry throats and to a corresponding degree of thirst.

"I believe this meeting must have imposed considerable burden on these gentlemen. I should straight away act as a fireman and conduct a fire drill. Let me, therefore, pour Swiss wine into these goblets here and ask you, gentlemen, to drink with me "to the Society of Actuaries and its members—and more particularly to our ladies.

"May this toast be a symbol of friendship between our countries and our Associations!"

On this festive note we conclude by wishing all of our readers

A HAPPY NEW YEAR!

— A.C.W.

TO BE CONTINUED

Editor's Note: This is another in the series of articles from the Committee on Continuing Education. The rule is one article to one subject to give the non-specialist in that subject up-to-date general information and to encourage further research in the subject if the reader is so minded. Comments will be welcomed by the Committee and by the Editor.

New Horizons

by William A. Dreher

United States actuaries, unlike our British counterparts, have traditionally focussed attention on the liability side of a pension fund balance sheet. Our concern with pension fund assets has been limited to techniques for appraising the assets as part of an actuarial valuation. Few of us were concerned about measurement and comparison of pension fund investment performance, apart from an occasional comparison of fund results with the "interest assumption" included in the actuarial valuation basis. Even here, the measurement of investment performances was more likely to consider cash yield on assets compared with book values or, in some instances, to include realized capital gains and losses in the performance calculation.

For more than 20 years, pension fund assets have been growing at a rapid rate. Corporate executives, union officials, and governmental officials have been confronted with major decisions affecting pension fund investment management: Should the assets be managed by a bank or an insurance company? By an investment adviser or mutual fund? What should be the proportion invested in bonds and common stocks? Should investment policy be more aggressive? Should fiduciary capital aspire to high levels of investment performance?

The executives responsible for pension funds needed quantitative data to evaluate the results of past policies and to provide a basis for charting their future course. Although every one of these pension funds had an actuary, our profession did not immediately sense and serve this need, despite the fact that we are the only group equipped by training and experience to pull together all of the demographic, economic, financial investment, and social pressures affecting pension funds. This void was filled largely by stockbrokers who seized the enormous

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