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## PROPOSAL FOR MANDATORY PENSIONS

by Donald S. Grubbs, Jr.

All of the arguments pro and con on legislative proposals regarding social security and private pension plans are based upon underlying assumptions. The underlying assumption of this article is that every American should retire with an adequate retirement income.

The present three-legged stool of social security, employer retirement programs, and individual saving do provide an adequate retirement income for many people, but they fail for others. We should examine the reasons why.

First, it is unrealistic to assume that individual savings will amount to much for most people. In our society many people are not able to save any significant amount of money. No amount of exhortation or encouragement to people to save will alter this situation. Therefore, an adequate retirement income must be provided by the other two sources, and anything from individual savings will be supplemental to that.

Social Security by itself does not provide an adequate retirement income. This is why most of us are advocates of an employer retirement program to supplement social security.

For some individuals there may not be an adequate supplement to social security from an employer program. There are four principle reasons for this:

1. Some employers, mostly small companies, have no pension plan at all.
2. Some employers have pension plans with benefit formulas too low to provide an adequate retirement income.

Employees change from one job to another prior to becoming eligible for vesting or for early or normal retirement.

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## A CANADIAN VIEW OF THE ALTERNATE ROUTE

by E. R. Vogt

As a Canadian deeply involved in and committed to actuarial education in the universities, I have been grappling with the following question. Should the Canadian Institute of Actuaries ask the universities to assume the primary role for the education of actuaries in Canada?

There is little doubt in my mind that if the question posed above were put to the members of the Institute, without further discussion, the vast majority would answer "no". I am equally convinced that there is a growing proportion of the membership of the Institute who either maintain an open mind on the question or who see some merit in it. There are of course a number of very good and some bad reasons why members would answer "no". Some of these reasons are briefly outlined below.

1. We have an excellent system now in the examinations conducted by the Society of Actuaries.
2. It is important to maintain uniform and objective standards. At present we have one high standard for the whole of North America.
3. One of the prime purposes of the Institute is "to establish, promote, and maintain high standards of competence and conduct within the actuarial profession." The Institute might lose control if the universities were brought into the picture.
4. There would almost certainly be a reduction in standards if persons holding university degrees were given substantial credits toward membership in the Institute.

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## DISSENT AND REFORM

### Book Review

by Stephen N. Steinig

William O. Douglas, *Points of Rebellion*, pp. 97, Vintage Books, New York, 1970, \$1.95.

(Editor's Note: In our May 1968 issue, we invited reviews of books of interest to actuaries, even though their content is outside our usual professional interests. Mr. Steinig has responded with the following review of Justice Douglas's controversial new book. We hope the review will prove as controversial as the book and that our Letters column will be richer by the correspondence stimulated by it.)

As this is written, the cry of "impeach William Douglas" is first being heard. There will be two major pieces of evidence presented against Mr. Douglas, Associate Justice of the Supreme Court: his former position and the associations he had as President of the Albert Parvin Foundation, from which he resigned in May 1969, and a recently published book he authored.

By the time this is read, *Points of Rebellion*, will undoubtedly have extensive news coverage and analysis.

This brief review will not attempt to explore the merits of the case against Justice Douglas, but only the ideas presented in his book.

*Points of Rebellion* is a short book, easily read in a two-hour sitting. It is a description and explanation of the sense of futility felt by a very large part of America's young and poor and non-white (and shared by millions of other Americans who do not fit these categories), as well as a statement of the consequences of continued indifference to the causes of this futility.

In the first of three sections, "How America Views Dissent," Justice Douglas discusses the various aspects of modern society which are causing infringements on the right of freedom of

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## Canadian View

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5. There are better ways to solve the problem of the serious shortage of actuaries. More effort spent on promotion and information, more time spent in contacting the universities, more scholarship funds, more interesting summer jobs and continuing to pay high starting salaries will eventually solve this problem.
6. "I passed all the exams. In the process I had to prove that I was able and highly motivated. This is the kind of actuaries we want. Let others show their stuff too."

There is some merit in most of the above reasons, with the possible exception of (6). Personally, I consider (1) and (2) the best reasons. Although the Society of Actuaries is incorporated in the State of Illinois, I do not consider it foreign to Canadians. The Society of Actuaries came into being through the combined efforts of actuaries in Canada and the United States and it continues to serve actuaries in these two countries.

The Canadian Institute of Actuaries does not presently conduct its own examinations. All members of the Institute have qualified by passing actuarial examinations conducted in countries other than Canada. Based on a recent count, about 80% of the members have written the exams of the Society of Actuaries, about 13% the exams of the Institute of Actuaries (Great Britain) and about 6% the exams of the Faculty of Actuaries (Scotland).

Canadian actuaries have been very active in the Education and Examination Committee of the Society of Actuaries and its many subcommittees. The Society has tried very hard to recognize the Canadian fact in the study material and content of the examinations. In the balance, I am convinced that participation of the Institute in the examinations of the Society of Actuaries and the recognition of the examination systems in Great Britain and Scotland, has served the Institute admirably in the past.

The American Academy of Actuaries is to actuaries in the United States what the Canadian Institute of Actuaries is to actuaries in Canada. The purposes of the Academy are similar to the purposes of the Canadian Institute and include the desire to get legal recognition for actuaries. Initial membership in the

American Academy of Actuaries consisted principally of the members of the following four actuarial bodies in the United States; the Casualty Actuarial Society; the Conference of Actuaries in Public Practice; the Fraternal Actuarial Association; and the Society of Actuaries. Associates and Fellows of the Society of Actuaries were admitted to membership in the Academy and similar categories of members in the other three actuarial organizations were admitted to membership in the Academy.

The problem of membership in the Academy of Actuaries after the initial "grandfather clause" period has not been entirely resolved. It is this problem that may have repercussions for Canadian actuaries. The Conference of Actuaries in Public Practice is not yet prepared to accept the examinations of either the Society of Actuaries nor the Casualty Actuarial Society as the sole basis for satisfying its educational requirements. The Conference has decided to look at the feasibility of providing for an "alternate route" through the college system. Accordingly, the Academy appointed a Committee on the Alternate Route to study, in cooperation with a similar committee of the Conference of Actuaries in Public Practice, the feasibility of allowing applicants who hold masters degrees in actuarial science from "accredited" institutions to sit for a comprehensive examination in lieu of the individual examinations required by either the Society of Actuaries or the Casualty Actuarial Society.

The Academy's ad hoc Committee to Study an Alternate Route to Academy Membership is chaired by Julius Vogel, who has been very active in the Education and Examination Committee of the Society of Actuaries. The balance of the seven-member committee consists of five Fellows of the Society of Actuaries and one other person. Included among the five Fellows is Louis Robert, a Fellow of the Canadian Institute of Actuaries. This Academy committee has been sitting with a similar seven-member committee of the Conference of Actuaries in Public Practice and only one of the latter committee members is a member of the Society of Actuaries. None of the members of either committee are academics, but four professors, namely Professors Fischer, Hickman, Kellison and Schuette, were invited to attend the meetings and help in the deliberations.

The chairman of the Academy Committee submitted an interim report last autumn. The gist of the report was that the Committee was not yet ready to take a position on the alternate route and that the study was continuing. A number of comments made in the interim report are of interest. The members appear to be interested in the alternate route and feel there is some merit in pursuing it. If the alternate route were put into effect, it should be made available to holders of either bachelor's or master's degrees from an accredited institution — in part this step was taken in recognition of the situation in Canada. The primary problems to be solved are (i) how to determine whether an institution should be accredited, (ii) the courses students must take to meet the requirements of an actuarial program and (iii) the character of the comprehensive examination. Generally, the Committee was of the opinion that while professional standards might be lowered if the Alternate Route was adopted and carried out ineffectively, this lowering of standards need not come about.

The Institute of Actuaries of Australia and New Zealand has established a university program as an alternate route. In summary, I would describe the situation in Australia and New Zealand as follows. The life insurance offices and actuarial offices have thrown their full support behind one university, Macquarie University. It would appear to be unlikely that actuarial programmes will be started at other universities in the area in the near future. The move taken last year, to grant exemptions for courses passed at Macquarie, will make the actuarial programme an important alternate route to membership in the Institute. With continued support the Macquarie programme could easily become the primary route for actuarial training in Australia. The facts of the particular population concentration extant in the area and, if my information is correct, the fact that none of the universities had an actuarial programme before the one was started at Macquarie make the problem and the solution in Australia much simpler than in Canada and not even comparable to the problem in the United States.

The Institute of Actuaries in Great Britain is now willing to grant exemptions, based on courses taken at a uni-

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## Canadian View

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versity, for the Preliminary examination, essentially all of the papers of the Intermediate examination, and at least the fourth paper of the Final examination. Clause 4 in the examination regulations reads: "The Council at its discretion may grant exemption from certain portions of the examinations to graduates who have attained a sufficiently high standard in appropriate papers of certain University honours degree examinations, . . ." As examples, they list six universities in England and three in Australia, including Macquarie University, and the particular programmes of study which are likely to result in exemptions for the students.

One can only hope that the Council of the Institute of Actuaries grants such exemptions rarely and grudgingly. Possibly we can assume that universities in England and Australia are really very superior to the universities in Canada. Speaking tongue in cheek, if the assumption is not valid and the hope cannot be realized, then surely the Canadian Institute of Actuaries must immediately review its position with respect to Fellows of the Institute of Actuaries in Great Britain. Exemptions, after all, are one form of "alternate route" and can only lead to a disastrous drop in standards of actuarial qualification.

There is a great need for more actuaries—so we are constantly told and surveys have supported this statement. This is certainly true in the United States. I believe, in Canada supply is not really that far behind the demand. In fact, if our good brothers south of the border ceased to place such a premium on good Canadian talent we could probably easily satisfy our own need for actuarial talent from existing sources.

In Canada the vast majority of actuarial talents come from the actuarial schools. The opposite is true in the United States. Unfortunately, I have no accurate statistics available to support my claim, but from the statistics I have, based on candidates writing parts 1 and 2, I would make an educated guess, that well over 80% of our actuarial candidates are in actuarial schools in Canada.

To conclude, I believe the universities can do a good job of preparing persons for an actuarial career, without any reduction in standards. Institutions which

can provide first-class surgeons, lawyers, engineers and members of most of the other respected professions, latterly even the accountants, for our society must certainly also be capable of meeting the needs of the actuarial profession. The anguished cries that standards will drop disastrously if the universities in Canada are permitted to do a part of the job leave me unmoved. Although we now have an excellent body of professional men in the Canadian Institute of Actuaries, I am weary of trying to explain that, even though all other professions call on the university to provide basic training, the actuarial profession does not give any direct credit for studies completed in an actuarial programme at a Canadian university. If approved, the university route to membership in the Canadian Institute of Actuaries would become the mainstream, not a small substitute as might be the case in the United States.

There are good reasons why we should move to accredit university actuarial programmes in Canada. I consider the following two reasons the primary reasons for such a move:

1. the universities are better equipped to provide students with an understanding of the mathematical concepts involved in the first five parts and standards can be constructed at a high level and at a reasonably comparable level across Canada; and
2. we will continue to have access to very able students only if they are not belatedly or otherwise required to write a set of examinations in addition to the tough set they must pass to get their degree.

Allied to the above is the need to give the actuarial programmes at our universities greater recognition. I do not consider the need for more actuarial graduates a primary reason—here we might find that greater promotional efforts, more scholarships and continuing good employment opportunities will probably attract a sufficient number, even if many of the most able will find access to other fields easier. The argument of greater educational flexibility advanced in favor of the "alternate route" in the United States is a relatively minor, technical argument.

(The above is a digest of a paper prepared for the Actuaries Club of Winnipeg. Copies of the original paper may be obtained from the author.) □

## 19th INTERNATIONAL CONGRESS

*Editor's Note: Samuel Eckler, Secretary of the Canadian Section of the International Actuarial Association, and Edward A. Lew, Secretary of the United States Section, have asked us to publish the following announcement.*

The 19th International Congress of Actuaries will be held June 19-24, 1972 in Oslo, Norway. A number of the more noteworthy features of the Congress were detailed in the March 1970 issue of *The Actuary*, in an article by Halvør Loken, Secretary of the Norwegian Society of Actuaries.

Bulletin No. 1 of the Organizing Committee for the 19th International Congress was distributed to all members of the International Actuarial Association in April. Members of the United States Section of the Association who did not receive this Bulletin are requested to write to Edward A. Lew, Secretary for the United States Section of the International Actuarial Association; members of the Canadian Section of the Association should notify Samuel Eckler, Secretary for the Canadian Section.

Fellows and Associates of the Society of Actuaries who reside in the United States and are not members of the International Actuarial Association will have the opportunity to join the Association for the fiscal year 1970-71 by completing the application forms recently mailed to them. Mr. Eckler has already sent out applications for membership to members of the Canadian Institute of Actuaries resident in Canada. Membership in the International Association is a prerequisite for attendance at the 19th International Congress of Actuaries.

Bulletin No. 1 of the Organizing Committee for the Congress deals largely with the subject matter for individual papers to be presented at the Congress. The four topics selected for individual papers are:

1. Life and pension insurance with variable sum assured or variable premium.
2. Methods for forecasting the development of an insurance company during the next ten years.
3. Private pension schemes and social insurance.

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