SOCIETY OF ACTUARIES

Article from:

The Actuary

February 1973 – Volume 7, No. 2

You and Your Pension

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untary employee contributions. Based on experience, it is not a viable alternative. An "improved" present system makes more sense.

Now, for the good points. At the end of several of the chapters the authors list certain questions employees might want to ask about their pension plans. These questions are pertinent (with some exceptions) and, with editing, could be published separately as a booklet in the public interest:

Does your employer contribute enough money to the fund to give you some assurance that you will receive a benefit when you retire?

How many years of continuous service must you have to be eligible for a pension?

If you leave the company and have vested rights, be sure you know and follow the procedures for applying for benefits.

If the plan were to terminate today, what percentage of your plan's liabilities (existing benefit claims of both retired and active workers) could be paid out of assets (funds now on hand)?

Have you exercised the survivors option properly?

The authors discuss such questions as recognizing past service; social mobility and the earning of a pension benefit; the improvement of plan benefits and its effect on the funding of a plan; pension plan termination; and the old saw of retirement income as generated from three sources: by a private pension plan, by the Social Security system, and by individual savings (little to nil, per the authors) ignoring family assistance.

Do all families turn their backs on aged parents?

The emphasis throughout is on the relatively younger, shorter-service employee whereas most people in the pension field are probably much more concerned with the older, longer-service employee. The resulting difference in needs creates problems in design which must be resolved. For example: very early vesting? or no upper age limit at hire? a minimum benefit at retirement?— which is most desirable? The authors should realize that this kind of decision is an individual case-by-case problem and that priorities have to be established.

Proposed pension legislation is explored. The authors feel that some of the bills represent a good start but that "they are pitifully weak." The suggested solution is an employee lobby; Appendix F lists names and addresses of "People to Contact."

Despite occasional heat, Ralph Nader and Kate Blackwell have discussed many important points which, hopefully, will lead to more general discussions and to improvements where necessary. Their idea of increased *awareness* as being most important is correct and, at the same time, suggests that there can be a rapprochement between those in the field and the critics of the private pension movement. Education could lead to dialogue and to understanding. At this point, I do not know whether the authors are interested in such an exchange. □

NEW FEDERAL ESTATE AND GIFT TAX PUBLICATION

*by William H. Lewis**

A recent list of government publications announces the publication of a volume entitled *Actuarial Values I: Valuation of Last Survivor Charitable Remainders—Part B—Two-Life Tables for Unitrusts and Pooled Income Funds — Internal Revenue Service Publication* 723B (11-71) available from the Superintendent of Documents, U. S. Government Printing Office, Washington, D. C. 20402 for $4.50.

Under Section 170 of the Internal Revenue Code of 1954, no deduction is allowed for the contribution to charity of a remainder interest of property transferred in trust unless the trust is a charitable remainder annuity trust or a charitable remainder unitrust [Section 664], or a pooled income fund [Section 642-(c) (5)].

In the case of a charitable remainder unitrust, Section 1.664-4 of the Income Tax Regulations shows Table E (1), male, and Table E(2), female, which contain the factors for the present worth of a remainder interest after a single life, based on Adjusted Payout Rates varying from 4.6% to 9.0% in steps of .2%. Similarly, the new publication contains Table E(3), which sets forth remainder factors after the death of the survivor of two persons, based on Adjusted Payout Rates varying from 4.6% to 12.4% in steps of .2%.

Perhaps a word of explanation is in order. In the case of the E tables referring to charitable remainder unitrusts, the creator of the unitrust is permitted to choose any fixed percentage that is not less than 5%. Once the choice is made, the creator and/or surviving beneficiary or beneficiaries under the unitrust must receive an amount equal to the fixed percentage times the net fair market value of the assets in the trust, valued annually, not less often than annually. Certain exceptions are permitted.

The remainder factors shown in Table E(3) of IRS Publication 723B

are values of $\left(1+\frac{i}{2}\right)A_{\overline{xy}}$

just as those shown in Tables E(1) and

E(2) are values of $\left(1+\frac{i}{2}\right)A_x$

where in all cases i is obtained from the adjusted payout rate p by the formula

$$i=\frac{p}{1-p}$$

In the case of a pooled income fund, Section 1.642(c)-6(d) of the Income Tax Regulations shows Table G(1), male, and Table G(2), female, which contain the factors for the present worth of a remainder interest after a single life, based on Yearly Rates of Return varying from 2.2% to 8.0% in steps of .2%. The new publication contains Table G(3), which sets forth remainder factors after the death of the survivor of two persons, based on Yearly Rates of Return varying from 2.2% to 10.0% in steps of .2%.

Tables E(3) and G(3) contain factors for all combinations of two ages and both sexes from age 30 to age 90 inclusive. The earlier IRS Publication 723 (12-70) is prescribed for 2-life age combinations outside of this range, and as appropriate, in cases involving three or more lives. The earlier publication is based on the "Kemmerer Method," which was mentioned in my December, 1971, article in *The Actuary*.

In the case of the G tables referring to pooled income funds, only the income is paid to the survivors, the yearly rate of return is equal to the interest rate and the valuation technique proceeds in the usual manner. □

**The opinions expressed are those of the author and do not necessarily represent the views of the Internal Revenue Service.*