The Actuary
The Newsletter of the Society of Actuaries

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YOU AND YOUR PENSION

Ralph Nader and Kate Blackwell, *You and Your Pension,* Grossman Publishers, New York 173, pp. 215, $5.95 (cloth) and $1.65 (paper).

by Barnet N. Berin

The word has been out for some time that Ralph Nader has spread himself too thin. Studies are coming quickly but they are superficial, marred with errors and the leading consumer-advocate's reputation is about to plummet. With this in mind, I wish to report that despite certain flaws and despite certain errors, this book on pensions is helpful in many respects and deserves to be read by all in the field. Interestingly, most of the errors could have been avoided by more knowledge of what the pension actuary does and the technical areas in which the actuary operates.

The book's primary objective is to increase *awareness* of pension plans, their features and how they might be improved. In this objective, the book is successful. Beyond discussing the "he didn't know" problems that may occur as employees get closer to actual retirement date, there are proposals for specific action. The various check lists for employees are generally excellent. There is also an awareness, on the part of the authors, that some of their proposals represent a bias in favor of the younger and shorter-service employees—a bias that might be difficult to correct.

First, the negatives. A split personality, possibly the result of two authors, is all too apparent. One travels the high road of intelligent comment, the other the road of uninformed and sometimes abusive carping. Analogies to horseraces, stakes, the game, a throw of the dice, hedging the bet, winner takes nothing, the dealers, payoff, are not necessary, add nothing to the principle arguments

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ARCH

The list of contents for the fourth number of ARCH is given below.

Issue 1972.4

A Statistical Treatment of Roundoff Error, Stephen G. Kellison

Poisson Deaths Assumption—1000 Companies and Four Seasons Test, James L. Lewis, Jr.

A Consistent Description of Actuarial Financial Projections Using Matrix Notation and Terminology, Robert L. Collett

Asset Shares and Anderson's Concept, Gottfried Berger

On Calculation of Ruin Probabilities, Evi Giezendanner, Erwin Straub, and Kurt Wettenschwiler

Issue 1973.1

This is a Special Issue of some of the papers discussed at the Waterloo, Ontario Research Conference reported in *The Actuary,* December 1972.

Subscriptions can still be sent to David G. Halmstad, Area 22 Z, Metropolitan Life, One Madison Avenue, New York, N. Y. 10010.

Social Security Notes

A. Rettig and O. Nichols, *Some Aspects of the Dynamic Projections of Benefits Under the 1972 Social Security Amendments,* Actuarial Note No. 81, January 1973, Social Security Administration, Washington, D. C., pp. 8.

This Actuarial Note discusses projections of the relationship between benefits and final earnings for male workers with maximum, median, and low earnings under various assumed increases in CPI and earnings, in accordance with the automatic adjustments provisions in the 1972 Amendments.

Free copies available from Social Security Administration.

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MORE ABOUT MORTALITY

S. H. Preston, N. Keyfitz, R. Schoen, *Causes of Death: Life Tables For National Populations,* Seminar Press, New York, 1972, pp. 787 + xi, $18.50.

by Frederic Seltzer

In the December 1969 issue of *The Actuary,* we favorably reviewed *World Population: An Analysis of Vital Data* by N. Keyfitz and W. Flieger. It presented a collection of life tables and related data covering more than 60 populations over 180 years. "This book presents data on mortality from recorded causes of death in 180 populations, with detail provided on age and sex. . . . This volume should reduce substantially problems of data availability by providing information on mortality experience spanning a period of 103 years, for 48 nations, and encompassing a range of life expectancies from 27 to 77. The data will assist the social scientist in documentating such matters as the sources of the vital revolution, causes of increasing sex mortality differentials, components of age curves of mortality, geographic and temporal variations in mortality structure, and economic and social costs of a disease."*

Cause of death mortality research has been hindered by problems of incomparability and inaccuracy of data, coding changes and definitions, as well as difficulty in obtaining statistics from various countries covering different time periods. The work of the authors, while not solving all these problems, at least minimizes some of them. The Introduction describes the populations reviewed and the selection and combination of the causes of death included. The methodology of calculating life tables for all causes of death combined, for multiple decrement tables, and for associated single-decrement tables is discussed in

**Quoted from the Preface.*

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The Actuary

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EDITORIAL

The consumerists are having a fine time these days with the life insurance industry about which it seems there is nothing favorable to be said.

A distinguished member of the Senate is agitating for a "truth in life insurance" law and this provoked the following comment from one newspaper:

"Probably what most insurance policies could use is a terse and lucid summary of precise coverage and options, enabling the purchaser to understand the benefits and recognize the limitations. . . .

(Senator) Hart speaks of a possible 'truth in life insurance' law. Our hunch is that the problem isn't so much truth as clarity."

Another doughty champion of the consumer is reported to have said:

". . . . it should surprise no one that the standard family auto policy is substantially less readable than Einstein's basic work on relativity."

The speaker is a lawyer and an insurance commissioner and he should be well aware that it is the lawyers and the insurance commissioners who have made the insurance policies what they are today (see Chapter XX of that unpublished work "The Baleful and Baneful Influence of Elizur Wright on American Life Insurance".)

The life insurance industry cannot afford to turn up its nose at the automobile policy. In the eyes of the lawyers and the actuaries the life policy may be a model contract, but what is the man in the street supposed to make of the paragraphs describing the methods of determining the Cash Value or the Basic Value. Sometimes he is told in various ways that the values are calculated in accordance with the Standard Non-Forfeiture Value Method. In other instances he is referred to the Non-Forfeiture Factor printed along with the Table of Cash and other Values and generally he learns that a detailed statement of the method of determining cash values has been filed with the insurance supervisory officials of the state of delivery. He can of course check this last the next time he happens to visit the capital city of his State. Meantime the policy contains all these many words presumably to make clear to the insured what the coverage is. We concede that all this verbiage is now "required" by law or regulation but is it essential?

Perhaps the new Committee on the Valuation and Non-Forfeiture Laws may find it desirable to say something about the relatively unintelligible verbosity of the policy contracts. Surely some of the criticism about the complexity of the policy should be heeded by the industry.

If, as a critic, we are asked to suggest a solution we would remind our readers of the Bellman who, on board ship,

"—had bought a large map representing the sea,
Without the least vestige of land:
And the crew were much pleased when they found it to be
A map they could all understand."

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.

We are indebted to Towers, Perrin, Forster & Crosby, Inc. for permission to reprint this summary from their Canadian letter.

Canada and Quebec Pension Plans

On July 8, 1972, Bill 24, *An Act to Amend the Quebec Pension Plan* was given Royal Assent.

The table (page 3) summarizes the recent changes in the Quebec Pension Plan, alongside the old provisions of that Plan, and proposals for the Canada Pension Plan contained in the 1970 government White Paper "Income Security for Canadians." The White Paper proposals almost certainly will be modified. The Quebec changes are effective as of Jan. 1, 1973.

There are significant differences between the revised Quebec plan and the federal proposals. For example, the maximum employee contributions in 1973 would be \$93.60 in Quebec while federal proposals call for a maximum of \$102.60 elsewhere. The maximum monthly benefit payable in 1977 and later would be \$162 under the Canada Pension Plan, but only \$131 under the Quebec Plan.

(*Continued on page 3*)

Actuarial Meetings

Mar. 8, Baltimore Actuaries Club
Mar. 19, Chicago Actuarial Club
Mar. 21, Actuaries Club of Des Moines
Mar. 21, Seattle Actuarial Club
Mar. 22, Nebraska Actuaries Club
Mar. 27, Actuaries Club of Hartford
April 5, Central Illinois Actuarial Club
April 9, Chicago Actuarial Club
April 12, Baltimore Actuaries Club
April 18, Seattle Actuarial Club
April 18, Actuaries Club of Des Moines
May 16, St. Louis Actuaries Club

Canada Pension Plans

(Continued from page 2)

Under the federal proposals, significantly greater benefits would also be payable on death or disability.

All interested parties, including both the Quebec and federal governments, agree that uniformity between the two plans is desirable from many points of view. Whether achievement of uniformity is feasible is another question. Some experts believe there is still a good chance Ottawa will either follow Quebec's lead or succeed in convincing the provincial government to modify its changes to some middle ground. Nevertheless, some differences may be inevitable—Quebec's priorities in the income security field are clearly not the same as those of the federal government.

If the two plans do diverge, what will be the effect on employer-sponsored benefit programs covering employees in Quebec and in other provinces? The problems need not be thought of as overwhelming. Most employers, for example, have adjusted to the inequities and administrative irritants created by dissimilarities in the way provincial health programs are financed from province to province.

In the pension area, the effect of differing government pension levels would be minimal for employers with pension plan formulas that take into account government benefits. One potential problem, however, would be in rationalizing benefit treatment for employees moving from one jurisdiction to another. If an employee has been contributing during most of his career to a pension plan in one jurisdiction, on what basis should his benefits be determined if he moves to another jurisdiction a few years prior to retirement?

The resolution of these and other problems will depend partly on agreements worked out between the federal and provincial government. Whatever the outcome, a good starting point for employers would be to review the criteria under which their programs are designed to function. One approach, for example, would be to meet total pension income needs whatever the source of that income. This goal could conflict with the more traditional approach—ignored by the Canada and Quebec Pension Plans—of maintaining a fixed relationship between benefits and contributions.

If we are indeed facing major divergences in the two government schemes, the differences may provide employers with an opportunity to redefine benefit plan objectives in terms of the true employee *needs* their programs are designed to meet.

	Canada Pension Plan and Prior Quebec Pension Plan	Quebec Pension Plan (as amended July 1972)	Federal White Paper on Income Security Proposals re the Canada Pension Plan
Earnings Index	Ratio of average earnings of all employees for the 8-year period ending with the second calendar year preceding, to such average for the 8-year period ending 1973.		
Pensions Index (1)	Changes with the average Consumer Price Index; maximum 2% per annum	Maximum of 3% per annum	No change mentioned
MPE (2)	1973 $5,600 1974 5,700 1975 5,800	1973 $5,900 1974 6,100 1975 6,300	1973 $6,300 1974 7,100 1975 7,800
Basic Exemption (3)	12% of MPE (adjusted to lower $100)	No change	Frozen at $600
Flat Rate Benefit (4)	$27.62 in 1972 increasing with the Pension Index	$80 in 1973 increasing with the Pension Index	$80 in 1973 increasing with the Pension Index
Maximum Retirement Pension	25% of Average MPE (5)	No change	No change
Disability Pension	Flat Rate Benefit plus 75% of the Retirement Pension	New Flat Rate Benefit plus 75% of the Retirement Pension	New Flat Rate Benefit plus 100% of the Retirement Pension
Widows' Pension	Flat Rate Benefit plus 37.5% of the Retirement Pension	New Flat Rate Benefit plus 37.5% of the Retirement Pension	New Flat Rate Benefit plus 75% of the Retirement Pension
Old Age Security Offset	None	None	Disability and widows' pensions payable for life but reduced by amount of Old Age Security when it becomes payable

(1) Pension index is the index according to which benefits are adjusted after they become payable in order to reflect changes in the Consumer Price Index. (2) MPE—Year's Maximum Pensionable Earnings. Increases with Earnings Index after 1975. (3) Basic Exemption—That part of a calendar year's earnings on which no contributions are made. (4) Flat Rate Benefit forms part of widows' and disability benefits. Under White Paper proposal it is also payable to wives of disabled pensioners. (5) Average MPE on any date means the average of the MPE's for the calendar year in which such date falls and the two preceding calendar years.

You and Your Pension

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and demean a text that has a definite point of view and is constructive in many of its arguments.

A reference to "fraud" and to the candor of certain senators is relegated to Appendix C, repeating part of a speech Mr. Nader made at a conference on employee benefits. This speech assumes a conspiracy, among the various groups in the private pension movement, to maintain a deliberately contrived system which is alleged to be unfair and resistant to change. This is simply not true and printing this speech does not add to the value of the book.

The authors have every right to find their own references and their own quotes and, as might be expected, they did not cover the waterfront. Yet, somehow, they are not terribly unfair—just a bit unfair. The critics of the Williams-Javits' statistics are ignored and there is a free use of quotations by non-actuaries about the work of actuaries in the pension field.

Few actuaries would recognize their work, as described here. For example, a selected quotation from Dan McGill: "Actuaries of equal skill, experience and judgment can examine the same set of plan specifications and employee data and come up with widey different estimates as to the probable cost of the plan."

What is left out here is that the pension actuary does carefully choose many assumptions about future events (interest, mortality, turnover, etc.) based upon his knowledge of the case and experience in the field. His work does not end there. Each year he determines the difference between actual experience and expected experience with the net result adjusting next year's costs. Periodically, the assumptions are changed to reflect experience.

Benefits, despite what the book says, are almost never reduced as a result of one year's experience. It would probably surprise the authors to find out that there are pension plans where costs are determined without any assumed rate of employee turnover as part of the actuarial assumptions. More knowledge of this technical area would be desirable for the authors.

The influence of Accounting Opinion 8 on funding a pension plan is never developed. For example: "The Accounting Principles Board of the American Institute of Certified Public Accountants recommends 40 years for funding past service credits." This is not accurate. The Accounting Principles Board is essentially offering this level of contribution as a minimum, not as a "recommended contribution."

Pension Plan liabilities do *not* include only vested benefits. The authors state: "You must remember, too, that 'liabilities' include only those benefit credits that have vested. They do not include the years of service of employees who have not yet acquired vested rights." The actuarial valuation definitely includes accrued liabilities for employees not yet vested.

The authors state: "In 1971 non-insured funds earned an average of only 4%." The quote of 4% is silly: net realized gains are excluded. No one familiar with the field would quote such a rate, because both book value and market value include net realized gains. Also, the investment field has changed, 1971 to date, and is becoming more competitive and more analytical. (Witness, the *alpha, beta* technology).

A minimum dollar limit attached to an annual pension plan benefit isn't nearly as workable, or as effective, as a maximum percentage benefit expressed as pension plan benefit plus primary Social Security benefit divided by final salary. For example, the percentage might be 100% for low salaried employees, grading to 60% at the Social Security wage base and decreasing to 50% for higher paid employees.

The authors quote Merton Bernstein—"By and large, pensions work like insurance policies"—and then develop certain conclusions which they find shocking. If you think about it, the risks are quite opposite. Life insurance risks are maximum at issue with the employee covered almost always paying the full premium. Pure pension risks are minimal at issue with the employee covered paying in most cases, little or no cost. This difference leads to a different system of reserves and to an entirely different concept of "cash-values."

Amortizing unfunded liabilities is closer to paying off a mortgage on a house over a period of years. It is a natural, initial state, *if* past service is recognized as it almost always is. The problems occur largely with plan improvement (adding on to the house), which immediately increases the unfunded liability and where a decision has to be reached on how to continue to amortize the new and higher unfunded liability.

Figures on the number of people *covered* by pension plans are confusing, as the authors state. Would it not be desirable to try to identify the number and characteristics of *uncovered* groups? Are they bunched in certain geographical regions, or in certain salary classifications, or by size of company? If we really knew the group, perhaps the solution to bringing them into pension plans might become apparent. (Such a study I am told is in the works in Congress).

The role of the Internal Revenue Service is not properly explored or explained. The rules of the I.R.S. are significant in many respects and not always constructive. For example, the various I.R.S. rules on coordinating a plan with Social Security benefits are so complex and so restrictive that they might prevent the offering of certain special benefits such as early retirement subsidies and survivor death benefits. (The authors would like to see survivor death benefits added to pension plans).

On integration the authors miss the point. Most plans are integrated for cost reasons, not to discriminate against low-paid employees. This is apparent if you add the Social Security benefit and the pension and compare the result with final salary.

Are the rules on integration necessary? Probably not. If the rules were designated essentially to prevent excessive benefits for higher-paid employees, the present set-up (Revenue Ruling 71-446) could be revised and a much simpler system installed.

Among pension critics are those who would scrap the private pension system and those who would like to see it improved. One suspects that the authors would like to see radical surgery but will settle for expanded pension legislation: a much stronger Williams-Javits bill. The authors do offer their alternative to the present system. Those in the field will recognize a future service, money purchase pension plan with vol-

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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? or 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.*

LETTERS

Facts On Fellowship Examination Questions

Sir:

Using the examinations for Parts 8, 9 and 10 for the years 1970, 1971 and 1972, I have recently analyzed the content of the Fellowship Examinations along the following lines:

Type A questions: Questions on general principles and questions with approximately equal portion of both Canadian and U. S. topics.

Type B questions: Questions on U. S. topics only.

Type C questions: Questions on Canadian topics only.

The analysis shows in term of points allotted to the questions:

Part	*Year*	*A*	*B*	*C*
8	1971	61	33	6
	1972*	43	9	8
9E	1970	69	31	0
	1971	54	46	0
	1972	69	27	4
9I	1970	82	18	0
	1971	74	17	9
10E	1970	31	59	10
	1971	24	52	24
10I	1970	63	37	0
	1971	38	46	16
	1972	58	29.5	12.5

* Morning paper only.

One can easily see that, perhaps contrary to expectation, the examination questions are not all of Type A. Moreover, it is evident that there are more points allotted to Type B than to Type C questions for all examinations; there seems to be a definite propensity towards Type B questions.

Even if I knew for a long time that there is an imbalance in the syllabus between the U. S. and the Canadian content, I was shocked when I realized that the examinations prolong this unacceptable situation to where a Canadian student is examined on more U. S. topics than on Canadian topics, especially for Parts 9 and 10 which are called specialized examinations. Also this situation favors to some extent the U. S. student who is examined on much fewer Canadian topics than the Canadian student is on U. S. topics.

Personally, I believe that the Society of Actuaries should educate actuaries in basic universal principles which apply to both countries. If some important principles on specific matters differ between Canada and U.S.A., both types of principles should be studied and eventually included in examinations. Consequently, the examination questions should all be of Type A.

If the application of such basic principles is more important than the principles themselves, then both Canadian and U. S. students should have equal opportunity of being taught and examined on rulings, laws, and practices of their own country. Then Type B and Type C questions may be acceptable only if the have equal representation in each examination.

I hope that the Society of Actuaries will in a near future and for the sake of fairness change the weighting formula used in the design of the fellowship examinations.

Jacques Dallaire

* * * *

Actuarial Certification

Sir:

The Comptroller General of the United States has commented on the use of actuaries in certifying to liabilities for pension plans and on the determination of qualified actuaries for making these certifications. The comments are given in a letter dated Aug. 30, 1972 to Honorable Harrison A. Williams, Jr., Chairman of the Senate Committee on Labor and Public Welfare. The letter is in regard to Senate Bill 3598 of the 92nd Congress proposing to regulate employee pension and welfare plans.

The following quotation is from the discussion in the letter on "required qualifications for auditors and limits on their responsibility":

> "It is recognized, of course, that an accountant who is not a qualified actuary with training and experience in pension plans should not be expected to express an opinion on the actuarial liabilities or the annual cost figures included in financial statements and reports for pension plans. He will have to qualify his opinion by stating that costs and liabilities are presented as stated by the actuary."

The CG's letter also contained a paragraph on qualified actuaries reading as follows:

> "Section 101 (b) (1) (on page 16) provides, in effect, that the Secretary of Labor shall determine the qualifications of actuaries employed to perform services under the legislation. In this connection we might point out that section 7(d)(2)(b) of Public Law 91-377, requires the Railroad Retirement Commission to employ an actuarial consultant holding membership in the American Academy of Actuaries and qualified in the evaluation of pension plans.
>
> "We suggest that section 101(b) (1) of the bill provide that the Secretary include in his requirements for a person performing services as as actuary that such person be a member of the American Academy of Actuaries qualified in the evaluation of pension plans or that he demonstrate to the Secretary that he has the knowledge equivalent to that of such an actuary."

With a simple change in the reference from pension plans to life insurance companies, these two paragraphs apply directly to financial statements and reports for life insurance companies.

Acceptance of these principles will allow actuaries to be entirely responsible for the actuarial liabilities for insurance and annuity contracts and for the actuarial standards and methods used to determine these liabilities.

The use of qualified certificates for life insurance companies by CPA's is not an infrequent or prohibited procedure. I have seen a number of CPA certificates that accept no responsibility for reserve liabilities and are qualified by a statement that the liabilities have been accepted as given in a certificate of a State Insurance Department. Another qualification that has been used a number of times is for reinsurance. The CPA assumes little or no responsibility for the value of the statement items for reinsurance because he or another qualified CPA has not audited the company accepting the reinsurance.

Herbert L. Feay

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Letters

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Minority Recruitment Program

Sir:

The Society's Committee to Encourage Interest in Actuarial Careers is continuing its program of recruitment among minority and disadvantaged students through its Subcommittee on Minority and Disadvantaged Recruitment.

A summer institute at Lincoln University will again be held to assist such students in preparing for Part I of the actuarial examinations. In addition, a limited number of scholarships will be awarded to such students pursuing an actuarial program at any of the schools offering courses in actuarial science.

The primary financial support for these activities has come from employers of Society members. In addition, a solicitation of contributions from the various actuarial clubs has been made. The Subcommittee also feels that individual members of the Society should have an opportunity to make personal contributions. Anyone wishing to make a personal contribution should make his or her check payable to the Society of Actuaries, mark the check "Minority Recruitment Program," and forward to William T. Graves, Liberty National Life Insurance Company, P. O. Box 2612, Birmingham, Ala. 35202. A contribution of $5 or $10 is suggested.

William T. Graves

* * * *

Social Security Numbers

Sir:

I find that the article by Howard Young (*The Actuary,* Nov. 1972) contains a possible discrepancy. At the bottom of page 2, we see a digit range of 700 through 728. In the first column of page 3, a range of 588-599 is mentioned as being available. Should this not be 699?

On the other hand, perhaps the range on page 2 should be 600 through 728. One of these things seems to be inconsistent. Could be a typo.

Samuel L. Tucker, Jr.

Howard Young says: "Mr. Tucker has a sharp eye. His assumption in the first paragraph that the range should be 588-699 is correct.

"Mr. Trowbridge informs us that the Numbers 000-587 are regular Social Security numbers while Nos. 700-728 are for use by Railroad Retirement numbers."

Barnet Berin has sent us the following information originally received from Robert Myers: "The first three digits of the number identify the office issuing the number, generally a Social Security District Office. The next two digits indicate the period of issuance. The last four digits are used serially and have no meaning attached.

"It is contemplated that the present numbering system will be continued indefinitely. Not long after the year 2050, it will be necessary to reuse the numbers first issued in 1936. Well over 100 years will elapse before such reuse."

Deaths

M. Irwin Doxee

S. Robert Hellig

* * * *

How Others See Us

Sir:

I was both amused and impressed by the editorial in the June 1972 issue on the topic "How Others See Us."

One sage has already written that seeing ourselves as others see us wouldn't do much good—we wouldn't believe it anyway. Perhaps that was why the poet Robert Burns pleaded so long ago—

O wad some power the giftie gie us
*To see ourselves as ithers see us.**

You gave two quotes from what I think was one epistle which my files ascribe to Elbert Hubbard and it was written about an auditor rather than an actuary —although I have known some actuaries who fit the description. His full text is as follows:

"The typical auditor is a man passed middle age, spare, wrinkled, intelligent, positive, non-commital, with eyes like a codfish; polite in contacts, but at the same time unresponsive, cool, calm and as damnably composed as a concrete post or a plaster of Paris cast. He is a human petrification with a heart of feldspar and without charm of the friendly germ, minus bowels of compassion or a sense of humour. Happily, they seldom reproduce and all of them finally go to Hell."

On the other hand, some observations go beyond your conclusion that the personality of the actuary is deficient—something more may be lacking. My office friends of over 45 years ago reacted to my actuarial ambitions by warning that I could become an actuary or stay normal! It was all too late when I was referred to this—

Experts in poor morbidity,
Valuations and liquidity,
We never can explain them without
hearing bawdy yelps.
Though we're terribly sincere,
It seems we're somewhat queer.
We don't have to be crazy but we
know darn well it helps!

And finally, still in this latter vein, it was said of one of our elder actuarial statesmen of many years ago—

"I don't think they could put him in a mental institution. On the other hand, if he were already in, I don't believe they'd let him out."

I am not sure that our professional standing will be enhanced by trading notes such as these, but at least there is some indication of a sense of humour in the breasts of a few of us. That seems to be a good start for any profession.

George Ryrie

*Moral: *"It wad frae mony a blunder free us and foolish notion.* Ed.

* * * *

Curiouser and Curiouser

Sir:

I have been consulting the (1972) published list of Society Members by Business Affiliation because I am anxious to trace the firm of Bandersnatch and Jub Jub. I find on page 61 that apparently this firm is located in Chicago but no specific address is given and the name does not appear in either the telephone or the city directory. If any of your readers can give me the address, I should be grateful.

Charles Ludwidge Dodgson

Editor's Note. Mr. Dodgson, although not a member of the Society, is a noted mathematician and we trust that one of our readers can help him.

Social Security Notes

(Continued from page 1)

Robert J. Myers *Summary of the provisions of the Old Age Survivors and Disability Insurance System, the Hospital Insurance System and the Supplementary Medical Insurance System,* Mimeograph 21 pages, November 1972.

Mr. Myers has updated the Social Security Note which was reviewed in *The Actuary* in April 1972. The new note includes a summary of the changes made in the amendments of July 1 and October 30, 1972. This booklet gives a concise comprehensive description of the various systems and is conveniently arranged for easy reference.

Free copies of the booklet may be obtained by writing to Mr. Myers at 9610 *Wire Avenue, Silver Springs, Md.* 20901.

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Auxiliary Benefits in Private Pension Plans, Actuarial Note No. 1-73, January 1973, Railroad Retirement Board, Chicago, Illinois, pp. 3.

This Note is a survey of auxiliary benefits in private pension plans as listed in the United States Bureau of Labor Statistics Digest of Selected Pension Plans (1970) with later revisions. The Note concludes that few private plans allow for benefits to dependents. For widows of retired workers, most private plans allow for joint and survivor benefit elections by the worker, although an increasing number of them are now providing for separate survivor benefits.

Free copies of this Note may be obtained from the Office of the Chief Actuary, Railroad Retirement Board, Chicago, Ill. 60611.

COMMITTEE CHAIRMEN: FEBRUARY 1973

We are glad to provide an up-to-date list of Chairmen of Committees in advance of publication of the Year Book.

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*General Chairman

More About Mortality

(Continued fom page 1)

Chapter II; a computer program is also supplied. Chapter III is concerned with the accuracy and comparability of the population and mortality data used, and particularly cause of death complications such as accuracy of diagnosis. The mortality data for each country-sex-year combination is presented in four tables:

Table 1 — Population, deaths, death rates for all causes combined and for specified causes

Table 2 — Life table for all causes combined

Table 3 — Number of persons dying (out of 100,000 at birth) above age x from specified causes

Table 4 — Number of persons surviving to age x if death from specified causes were eliminated.

The computer spews forth tables faster than we can read or analyze them. Printouts and copies pile up and suffocate us, we feel swamped, inundated. No one wants to read 720 pages of tables and 65 pages of supporting text, but many will find collections of this type valuable for reference purposes and as a time saver because of increased accessibility of data. □