



SOCIETY OF ACTUARIES

Article from:

# The Actuary

April 1975 – Volume 9, No. 4

# The Actuary

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Published monthly (except July and August) by the SOCIETY OF ACTUARIES, 208 S. LaSalle St., Chicago, Illinois, 60604, C. L. Trowbridge, President, Jean-Jacques Deschènes, Secretary, and Ms. Anna M. Rappaport, Treasurer.  
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## LETTERS FOR THE PRESIDENT

Sir:

President Trowbridge's editorial in the January issue moves me to express the strong hope that the Society will undertake to provide guidance in public policy matters where the actuary has substantial competence. It is not enough for the organization to depend on individual members to provide general advice and counsel as to major issues. The weight of the organization's prestige and competence is needed from time to time when large public issues are at stake. It seems to me that if we expect society to give our body a broad professional charter, it is entitled in partial return to our best expert counsel when it faces generalized problems in our field.

I am particularly impressed with the President's example pertaining to the OASDI benefit system. Having recently served on the Advisory Council which the President mentioned, I am convinced that there are aspects of our tremendously important social insurance systems that not only are appropriate subjects for the Society's attention, but are in rather desperate need of guidance from professional, authoritative sources.

I would like to encourage the President to go forward with an affirmative proposal to establish a continuing mechanism for reviewing our social insurance systems and providing sound advice thereto.

J. Henry Smith

\* \* \* \*

Sir:

Mr. Trowbridge has asked if actuaries should take a stand on public issues . . . emphatically "yes". The Constitution limits the Society to making public statements only on "matters within the

special professional competence of actuaries." Let's not interpret this too narrowly.

The most obvious area within our competence has to be the financing of OASDI. I was amazed to learn that only one FSA was on the Advisory Council. What a burden for him!! Certainly the Society could make a statement in a short time that would help to eliminate the confusion that surrounds the issue in the public press.

Mr. Trowbridge's second suggestion has some merit, although I don't see how it will affect the typical buyer of life insurance. In my opinion very few are really interested. Very few of the 140,000 policyholders within the organization I work for have asked for such information; I recall hearing about only one.

Mr. Brummer has suggested a better one, the examinations of insurance companies. Who is more competent, as generalists, in reviewing matters directly relating to solvency and treatment of policyholders? Let's get going before we have relinquished our rights again as we did with GAAP.

I strongly suggest the Society begin now to make studies of future problems or, at least, react quickly when other segments of our American society call for action. Public statements by our Organization are long past due.

Wayne A. Gillis

\* \* \* \*

Sir:

I would second Mr. Trowbridge's suggestion of possible public expression of professional opinion on the OASDI Benefit Formula.

It seems appropriate to establish Social Insurance Committee or, at very least, to assign this responsibility to one of the existing committees.

Many of us would be pleased to add our comments to the committee's considerations.

Paul C. Hart

\* \* \* \*

Sir:

This is in response to the "guest" editorial of our President, C. L. Trowbridge. The Social Security "issue" is probably getting as much news media attention today as it ever has at any point in time. At least once a week one of our legislative or administrative bodies (Senate Finance Committee, House Appropriations Committee, Social Security Administration, etc.) publicly releases a report which comments in great depth on the adequacies or inadequacies of the current financial projections. For close to a year now *The Wall Street Journal* has been carrying on a discussion with the Social Security officials of the AFL-CIO and the *Journal* has gone beyond most other publications, placing great emphasis on the unfunded liabilities of the system—those liabilities which the system is passing on to future generations.

To the credit of our profession, the news media and the various legislative and administrative bodies associated with Social Security, the many reports and news releases dealing with the funding of Social Security have consistently associated the actuarial profession with the basic financial projections. Recent articles and reports have used references such as "Social Security Administration actuaries recently reported . . ." or "an independent group of actuaries working with the Senate Finance Committee recently stated . . ." and so on. We can no longer claim anonymity—the public may not know what we do but they certainly know we exist!

Actuaries make assumptions regarding future events—mortality, morbidity, inflation, birth rates, etc. These assumptions, properly documented and supported, assist our employers, clients, etc. estimate the financial "costs" of various business decisions. It is rare that any two actuaries will agree on all aspects

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**Death**

William H. Martin

**Letters for the President**

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of a particular set of assumptions—we all know this and accept it. Actuaries working within the Social Security Administration, or assisting the Senate Finance Committee, etc. differ from the majority of us only in one respect—they are preparing assumptions which relate to the cost of a very highly publicized national social insurance program and as a result their differences have greater public exposure.

The existence of differences among actuaries is contributing to the current public concern and this may be damaging our “professionalism.” One group of actuaries is associated with a statement which implies the Social Security System is on solid ground, another group of actuaries is associated with a statement that says the system has sufficient funds to operate only through 1980.

We should not eliminate this “independence” of actuaries, but we owe it to our profession and to the public to clarify the existence of such differences. We need, now more than ever, an expression of public opinion regarding the financial status of the Social Security System which can serve as a base upon which independent actuaries can provide interpretation. We must include within our public expression of opinion a clarifying statement regarding the use of actuarial assumptions—this includes a reference to the fact that the Social Security System was built upon the use of short range and long range assumptions and allows for constant review and modification of such assumptions.

The establishment of a Social Insurance Committee and the issuance of a public expression of opinion by such Committee would meet with my full accord and I urge such action be undertaken immediately while the issue is at hottest.

The above statements represent my personal opinion and in no way represent the views of either my Company or my associates.

Vincent W. Donnelly

**COMITTEE ON WAYS AND MEANS (PART II)**

Staff Report On The Disability Insurance Program; Superintendent of Documents, Washington, D. C., 20402, 447 pages, \$4.25.

by John Haynes Miller

This concludes the Report. Part I appeared in the March Actuary

**Trends in the Cost of Disability Benefits**

The report indicates an increase in claim frequency, shown in line 1 below. Line 2 has been added by the writer to show a comparison with group LTD experience as reported in TSA, 1973 Reports Number.

	Base of Comparison (100)	1967	1968	1969	1970	1971	1972	1973
1) Social Security Disability Awards	1965 Cost Assumptions*	109	109	114	113	132	142	150
2) Group LTD experience, 6 months elimination	1967-71 experience, non-jumbo cases	106	105	105	126	130	≠	≠

\* Adjusted to the 1967 Act.                      ≠ Not yet published.

Since “total disability” is a very elastic term for a highly subjective condition, its definition is a critical element of the program. As noted in the brief history there has been a series of statutory modifications, and the definition has been effectively altered by administrative rulings and court decisions. Regulations state that, in addition to medical evidence, “consideration is also given to such other factors as the individual’s education, training, and work experience” in evaluating inability “to engage in any substantial gainful activity.” All of these have tended to liberalize the definition.

In 1960 the Kerner case,<sup>(1)</sup> decided in the second Circuit Court of Appeals, established the doctrine that the courts must resolve two issues, viz. “What can the applicant do, and what employment opportunities are there for a man who can do only what the applicant can do.” Other courts followed this doctrine but changed the criterion from work “existing in the national economy” to “in the local labor market” or similar expressions. The SSA has not acquiesced in these decisions. On the recommendation of the Ways and Means Committee, the 1967 amendments referred to “work which exists in significant numbers either in the region where such individual lives or in several regions of the country.”

As noted, the expected claims on line (1) of the schedule above were computed to reflect the 1967 Act. The subsequent ratios of actual to expected were within the narrow range of 109% to 114% until 1971 when a marked escalation began. Along with the liberalization by the courts in the definition of disability there have been many cases in which the original disability determination made by the State agencies has been reversed by administrative review or judicial proceedings. Initially, to maintain consistency among the actions of the State agencies, all cases were reviewed by the SSA. The percentage of cases reviewed was gradually reduced, reaching a planned 60% review for fiscal 1972. However, the tremendous administrative burden posed by the black lung program enacted in 1969 and other circumstances, led to the decision in 1972 to review only 5% of all new cases. It was argued by SSA that this would provide an adequate check and “that it can give more substantive policy guidance by its review and comments on a smaller number of cases.” Concerning the results of the review procedure the report states:

“\*\*\* in the first 6 months of 1971 [before the 5% sampling technique was adopted] over 10,000 State allowances were questioned and about 4,000 of these were eventually denied. This presumably was based on a 60-percent review.”

On the other hand, in the same period, “there were 3,080 denials changed to

(1) Kerner vs Flemming (1960), 283 F. 2d, 916

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## Actuarial Economists

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Moreover, this report is a good illustration of how the Federal Government spends considerable sums of money on grants to persons where the results obtained are not of any real value. Such a procedure is common in the academic world—and the reviewer well recognizes that he is living in such a “glass house”—but hopes that this criticism does not relate to his own work.

It can be said in summary that the Report presents very little not already known to the actuaries of the Social Security Administration and to many other actuaries. In fact, the information contained in the report was already out of date by the time even the draft report was circulated in mid-1974.

The report contains a surprising number of factual errors and perhaps this is not surprising, considering how some economists bravely venture into areas in which they have little, if any, competence. For example, the report states that a system financed on the pay-as-you-go basis depends for its financing upon increases in productivity and in the population at the working ages. Quite obviously, this is not so, because the financing is built around the estimated benefit operations, whatever they might be.

Also, the report criticizes the investments in special issues because of their low coupon rates and because of their lack of liquidity (since liquidity might be necessary in order to meet unexpectedly high outgo). The fact that some of these special issues have low coupon rates is not inequitable, because they drew the going rate when they were purchased. More importantly, such special issues are redeemable at par whenever the trust funds need them.

In several places in the report, the taxable earnings base for 1974 is stated to be \$13,600, rather than the correct figure of \$13,200.

The authors state that the basis of social insurance systems is to stress social adequacy rather than actuarial soundness. These two elements most certainly are not incompatible or mutually exclusive. In this connection, they quote the famous saying by the distinguished economist, Dr. Paul Samuelson of Harvard, that “The beauty about social in-

allowances under the 60-percent review mechanism. Under the sample in the period 1972-74, there have been a higher percentage of reviewed cases questioned (about 18 percent), and in contrast to previous experience more of these have been allowances than denials. The Social Security Administration maintains that this is due more to the intensity of the review rather than to more adjudicative errors. According to SSA, a sample of the sample shows that in about 30 to 35 percent of the returned cases the decisions are changed.”

Since the report gives the number of applications in fiscal 1971 requiring a disability determination as 762,700, the “over 10,000 cases” questioned in the first six months presumably represented no more than 5% of all the cases reviewed under the 60-percent program, as compared to the 18% figure for the past three years.

In addition to and independent of the review system there is a rather elaborate procedure for hearing or appeal of the claimant who has been denied benefits at the administrative level. This system prompted Robert G. Dixon, author of the book “Social Security Disability and Mass Justice,” to raise “the question whether such appeal mechanisms may result in the final epitaph for the U. S. reading ‘Died in litigation circa 2000 A.D.’.”

A dissatisfied claimant may request reconsideration, which is given in the State agency by personnel other than those making the initial determination. If the initial adverse decision is not reversed the claimant is given a hearing before an Administrative Law Judge (ALJ) upon timely request. If his claim is still denied he can request review by the Appeals Council, which may affirm, modify, or reverse the ALJ or remand the case to him for further development. The claimant may then appeal an adverse decision to a U. S. District Court, the decisions of which courts are sometimes reviewed by a Circuit Court of Appeals. Some indication of the trend in the volume and direction of adjudication is given by the following:

Hearings by Administrative Law Judges		Hearings by Courts	
Fiscal Year	% of Cases	Period	% of Cases
1960	17%	1955-67	52%
1973	50	“Now”	36

“The net effect of the increasing administrative hearing reversal rate and declining court reversal rate has been a higher allowance rate for individuals who have decided to take their cases to hearings.” The number of reversals by Administrative Law Judges has increased almost tenfold from 3,470 in 1960 to 33,906 in 1973. The last figure represents nearly 8% of the number of cases approved at the administrative level.

Presumably the sharp increase in claim activity since 1969 is related to trends in unemployment. The report presents the following data.

Year	1967	1968	1969	1970	1971	1972	1973
Applications for benefits per 1000 insured workers	1.02	1.26	1.03	1.20	1.24	1.24	1.37
Number unemployed per 100 insured workers	2.5	2.2	2.1	3.4	4.1	3.5	2.7

Some correlation is apparent through 1971 but the two series diverge in the following years. However, spotty unemployment, as in the aerospace industry recent years, can adversely affect disability results before lay-offs become numerous in other industries or kinds of employment.

The increase in claim frequency is well documented by the above information. Although the study into the causes has not been completed, it seems clear that

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liberalizations in the definition, trends in adjudication, and generally rising unemployment have all contributed.

The second dimension of disability cost is of course the average duration. On this score the information given is somewhat less specific. The report notes that the current cost estimates are based on mortality and recovery rates for the period 1957-67 and adds that "the use of more current data would seem desirable." There is indication of a recent "rather sharp decline" in the mortality rate among disabled workers. The data are not on a select basis and the report notes that Mr. Robert J. Myers has been asked to review the study of mortality experience, "including the degree to which it has taken into account duration of disability \*\*\*."

A comparison of total termination rates and death rates given in Actuarial Study No. 65 shows that in general death rates under Social Security disability insurance are higher than the experience of life companies, while recovery rates are much lower. To select a single example from a rather complex comparison, the following rates per thousand apply to the fifth year of disablements commencing at ages 50 to 54.

<u>Termination Rates per 1,000</u>			
	<u>Recovery</u>	<u>Deaths</u>	<u>Total</u>
Benefits 2 & 3, 1930-50	29	59	88
Benefit 1, 1930-50	21	65	86
Group Waiver of Premium, 1955-64	16	69	85
OASDI experience, 1957-63	10	78	88

It should not be inferred that the total termination rates under the four experiences are nearly equivalent on the average. However, the above example illustrates the generality that recovery rates under Social Security disability are low as compared to any experience of life insurers. This would be expected in a comparison with the individually selected risks covered under the old "90-day clause" of the 1920's (Benefits 2 and 3) but Benefit 1 required a finding of "permanence," and the Group Waiver benefit includes a 9 month deferment period.

It should be noted that the 1957-63 OASDI experience all occurred while the definition required that the disability "must be expected to result in death or to be of long-continued and indefinite duration." Under such a definition a comparatively low recovery rate is to be expected. The change to the 12-month requirement in the 1965 Act was followed by an increase in the aggregate recovery rate, but this rate peaked in 1967. The following recoveries and ratios to the number exposed are reported: 1964—16,487, 1.6%; 1966—23,111, 1.8%; 1968—37,723, 2.5%; 1970—40,802, 2.3%; 1972—39,393, 1.9%. One must be cautious in drawing conclusions from crude rates, but the trend does not augur well for the future cost of the system.

The net result of these trends in experience, to the extent reflected in the valuation, and of changes in regulations, administrative procedures, and legislation—including increases in the monthly benefit payments—has been to more than triple the cost estimates, as a percentage of taxable earnings, since the 1960 extension of the program to cover persons under age 50.

<u>Year of Valuation</u>	<u>Basis</u>	<u>Cost as % of Taxable Payroll</u>
1960	Intermediate Level Cost Estimate, 1960 Act, TSA XIII, 253	.56
1969	Long-range cost of the 1967 Act, Staff Report, p. 14	.96
1972	" " " " " 1972 " " " p. 14	1.31
1973	" " " " " 1972 " " " p. 15	1.54
(revised) 1973	" " " " " 1973 " " " "	1.58
(revised) * 1974	" " " " " 1973 ", 1974 Trustees' Report	1.92

\* To reflect the 11% benefit increase in 1974.

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### Actuarial Economists

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insurance is that it is *actuarially* unsound. Everyone who reaches retirement, however, is given benefit privileges that far exceed anything that he has paid in", (Newsweek, February 13, 1967.) This, again, is a vivid example of the lack of knowledge of economists about actuarial principles in general, and as they apply to social insurance in particular.

The authors state that Congress usually interprets the situation of income currently exceeding outgo—which they incorrectly designate as "a surplus position"—"as a signal that benefits can be increased in the short run without having to increase taxes." I can state, from my long experience in working with the Congressional committees responsible for Social Security legislation, that this is not true. Careful consideration has always been given in the past to the long-range cost estimates for the program and proposed changes therein, and benefit increases were not made solely because income currently significantly exceeded outgo.

The principal recommendation of the report that the Office of the Actuary, Social Security Administration, should keep its population projections up to date completely ignores the fact that such projections were being revised at the time the study was made. In fact, the new cost estimates, based on these projections, came out before the report itself! In the past, these population projections have been revised from time to time as census data became available. Considering how demographic elements have changed rapidly in the past, it does not seem advisable to revise population projections too frequently on the theory that "Now, we know all the facts, and they will remain unchanged hereafter."

The authors spent much time and energy (and undoubtedly much money too) in developing a computerized model for the actuarial cost estimates. In doing so, they adopted a number of shortcuts and approximations that raise questions as to the value of their results. One of these was to make the estimates on a static economic basis, which procedure has been completely outmoded during the last few years because of the adoption of the automatic-adjustment

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## Committee on Ways and Means

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As pointed out by the staff, these costs do not reflect any change in termination rates since the 1957-67 level. No projection factors are used to allow for possible continuing increases in the incidence of claim rates by age.

### Rehabilitation

In reference to the original legislation for the "disability freeze" the report states, "To stress rehabilitation in the disability program Congress specified that wherever possible the State vocational rehabilitation agency should be the contracting agency to make disability determinations." The same intent was reaffirmed in the 1956 amendments providing cash benefits. Moreover benefits may be withheld or reduced if the beneficiary refuses rehabilitation service without good cause.

Some provisions of the Act intended to encourage rehabilitation include "A trial work period for the worker to try new skills, elimination of the waiting period for recurring disability to encourage the worker to return to short-term employment, and elimination of the waiting period for former childhood disability beneficiaries who again become disabled." In the report of the Senate Finance Committee relating to the 1965 Act it is stated "that only about 3,000 disability beneficiaries were rehabilitated in any previous year mainly because of the lack of State funds to match the available Federal funds." On the principle that money spent on rehabilitation would actually reduce expenditures from the disability trust fund, provision was made for financing rehabilitation services from this source in an amount up to 1 percent of the disability benefits paid in the previous year. This limit was increased to 1.25 percent in 1973 and to 1.5 percent for 1974 and subsequent years.

In the legislation for the establishment of the new Supplemental Security Income (SSI) program, discussed in the next section, the Secretary was authorized to pay from general revenues the full cost of vocational rehabilitation for SSI recipients who qualify by reason of a disability.

The criteria for determining whether trust fund money rather than regular vocational rehabilitation appropriations will be used to finance rehabilitation of DI beneficiaries are, briefly restated, as follows:

- (1) The disability is not so "progressive as to outrun the effect of vocational rehabilitation services, or to preclude restoration \*\*\* to productive activity."
- (2) The disabling effect may otherwise be expected to "remain at a level of severity which would result in the continuing payment of disability benefits."
- (3) "There is a reasonable expectation [of] restoration \*\*\* to productive activity."
- (4) A net saving to the trust fund may reasonably be predicted.

Statistics by states, presented in the report, indicate a wide range in the number of cases successfully rehabilitated in relation to the disability beneficiary cases closed. Averaging 24.6 percent for the nation they ranged from 12.6 percent in California to 55.8 percent in Delaware. (As a yearly rate per million of population the respective numbers are approximately 79, 51, and 109).

Among demographic factors influencing the success of rehabilitation efforts the report mentions the economic status prior to disability.

"The level of economic status prior to disability is indicated by differences in the Primary Insurance Benefit Amount (PIA). Higher earners had a substantially greater proportion who left the benefit rolls after services than lower earners. Over 50 percent of those with a PIA of \$200 or more left the rolls for recovery compared to about 30 percent of those with a PIA under \$100. The differences in health indicated by death after closure was not very different at all by income group based on PIA. It may be likely that persons with higher earnings before disability returned to better employment situations after services than lower earners."

Among its conclusions the report notes "Of all the 28,000 disabled worker rehabilitants, the accumulated savings (to the trust fund) through June 1973 was

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## Actuarial Economists

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provisions and the recommendations of the Advisory Council on Social Security in 1971.

I strongly believe that computers have their place in making long, simple, and routine calculations, such as running the year-by-year projection of the trust funds or making approximate estimates for varying economic conditions which are built on top of a detailed individually-computed basic estimate. However, I do not believe that such a model is desirable for all computations involved in the actuarial cost estimates. It is much better to develop individually — and to view with the eye—the complex elements involved in the cost estimates. Too often, people are enamored by EDP and toss in all sorts of inputs without any recognition being possible as to whether the resulting output will be correct, or even reasonable.

Another important recommendation of the authors is that the trust funds should not be invested in so-called "flower bonds", of which the funds hold more than \$2 billion. Flower bonds can be redeemed at par for payment of estate taxes, and thus they sell at a somewhat lower market rate of interest than other government securities. The authors are quite correct on this point, but they did not do a very good literature search, because this same matter was pointed out by the 1971 Advisory Council, although nothing has been done about it.

The authors quote, with approval, the figure of \$1.9 trillion as the unfunded accrued liability of the OASDI program as of mid-1972 as computed on a *closed-group* basis, and also the figure of \$2.1 trillion a year later. As a minor point, they incorrectly state that this applies only to the OASI portion of the system. They do not recognize — as I believe all actuaries do — the artificiality of this actuarially-computed figure, as a result of its ignoring the fact that the program is compulsory, and accordingly there will always be new entrants.

Further, the authors assert that the difference between the two figures for the accrued liability, \$253 billion, is the normal cost for the year. A large part of this increase resulted from the liberalizations in the October 1972 amend-

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## Committee on Ways and Means

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over \$1,000 for nearly half and over \$10,000 for nearly 20%."

This review, lengthy as it is, covers only the highlights of the 447-page staff report on DI (disability insurance under the OASDI system). The report, available from the Superintendent of Documents, Washington, D.C., 20402, at a cost of \$4.25, should be studied by everyone truly interested in disability and rehabilitation. The universal coverage now provided by the combined program, DI and SSI, and the administration of these programs, will exert an increasing influence and impact on private disability insurance, even on policies containing Social Security offset provisions. The insurance business cannot be unaffected by the laws and rulings under which entitlement to DI and SSI benefits are determined and by the administrative and judicial policies governing the applications thereof. Not only for the information relating to disability and rehabilitation in the United States but for the insight into the operation of a huge government program and the respective parts played by the executive, legislative, and judicial branches, the report is an important and useful document.

The writer is greatly indebted to Francisco Bayo, Deputy Chief Actuary of the Social Security Administration, for reviewing the manuscript, correcting some errors, and offering a number of helpful suggestions and to Robert J. Myers for additional information about some of the Acts referred to. □

## Interest Rates and Salary Scales

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in the past two years, in predicting changes in the rate of inflation.

Can actuaries do better than economists in forecasting a future rate of inflation?

For those who are about to investigate this question, it is well to review the relationships between interest rates and salary scales in pension valuations, since it appears that the rate of inflation is to be added to each of these rates. It is necessary to examine these relationships because much of the descriptions of the recent past have not been accurate.

It is tiresome to be told that only the difference between the assumed valuation interest rate and the salary scale rate is of importance. This bit of actuarial flimflam, based on a stability that does not exist, is of course untrue. Let's investigate this.

For ease of communication, consider  $x\%/y\%$  to mean an assumed valuation interest rate of  $x\%$  and a compound interest salary scale of  $y\%$ . (I believe "s" shaped salary scales are better, but this is not important.

The relationships can be summarized as follows:

(1) If the assumed valuation interest rate is equal to the assumed rate of salary increase, costs decrease as the choice of the basic rate increases. (Example:

Costs decrease steadily as you move upward from 5%/5% to 8%/8%.) There is no stability in a zero difference.

(2) A simultaneous addition to the interest rate and to the salary scale, of the same percentage, lowers costs. (Example: Costs decrease steadily as you move upward from 5%/2% to 8%/5%, in equal unit jumps, to a total increase of 3% in both rates). There is no stability in a non-zero difference.

Both (1) and (2) illustrate the fact that a change in the interest rate is far more important than the same change in the salary scale rate and that there is no stability in  $(x-y)\%$ . With interest rates uncertain, common stock prices depressed, salary increases little to none in certain major industries, it is possible to add inflation as an actuarial assumption and lower costs appreciably—assuming that the addition for inflation is not done with great care.

Anyone about to consider this problem further should read Paul Jackson's paper presented at the Conference of Actuaries in Public Practice, in October 1974: "Inflation, Interest Rates and Salary Increases."

Personally, I question the wisdom of introducing a rate of inflation just as I would question the similar introduction of a rate of recession by lowering both the assumed interest rate and the salary scale rate. □

## MINORITY RECRUITMENT

by James C. Harrison

The purpose of this article is twofold: first, to report briefly on the progress of the Minority Recruitment program for 1974, and secondly, to ask individual members and actuarial clubs to continue their financial support of the program.

In 1974 scholarships were awarded to two students — Miss Araba Quansah and Mr. Kwasi Osei—who are presently pursuing degrees in actuarial science at the University of Michigan. Both recipients are considered to be well-qualified, having completed several of the early examinations, and they were highly recommended by Professor Cecil J. Nesbitt. Scholarships will be available again in 1975 to a limited number of students who are pursuing or wish to pursue an actuarial program at any of the schools offering courses in actuarial science.

The results of the 1974 Summer Institute students were the most successful to date. Of the 14 students who sat for the exams in November, 5 passed Part I (one student passed Parts I and 2) and 7 received grades of 4 or 5. This success can be attributed in part to changes adopted last year, which led to more aggressive recruiting, and to pre-screening and pre-enrollment requirements. A Summer Institute at Lincoln University will be held again this year to assist minority students in preparing for Part I of the actuarial examinations.

The Minority Recruitment program is supported primarily by contributions received from employers of Society members. Personal contributions from individual members and actuarial clubs are desired as well. For those who wish to contribute, please make your check payable to Society of Actuaries—Minority Recruitment Program, and forward to James C. Harrison, North Carolina Mutual Life Insurance Co., Mutual Plaza, Durham, N. C. 27701.

I feel that the individual actuary should decide for himself how he wishes to proceed, have an appropriate informative discussion with his client and then test the emerging experience, each year, by means of the gain-and-loss analysis. I do feel that some recognition of economic conditions is justified in some of the actuarial assumptions but that a constant percentage added to the interest rate and to the salary scale is an inappropriate solution to a difficult problem. □