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BOOK REPORT

Barnet N. Berin, *Pensions: A Guide to the Technical Side*, Charles D. Spencer & Associates, Inc., Chicago, 1973, pp. 118, \$8.50.

by Leroy B. Parks, Jr.

Mr. Berin is already well known to Society members as the author of the Society's text, *The Fundamentals of Pension Mathematics*. He has now produced a book for the non-technician in the form of an easy-to-understand review of the technical aspects of pensions.

The book begins with a non-technical explanation of pension funding and describes (with the assistance of simple hypothetical examples) the various methods of determining the cost of a pension plan. Separate chapters are devoted to a discussion and review of four funding methods—unit credit, individual entry age normal, aggregate cost, and attained age normal.

After reviewing the various cost methods, the author describes certain types of "valuation checks" and also briefly discusses the funding of ancillary benefits. Other subjects given passing treatment include: the significance of actuarial gains and losses; actuarial soundness; cost estimates; changes in actuarial assumptions; and changes in funding methods. The concluding chapters of the book touch upon such topics as tax deductible contributions, Accounting Principles Board Opinion No. 8 considerations, multi-employer pension plans and variable annuities.

As is often the case when an author attempts to present complex concepts in layman's language, Mr. Berin reveals some of his own prejudices regarding the best approaches in preparing an actuarial valuation of a pension plan. Specifically, he is against the "dual valuation" approach, favors the use of book value only in determining valuation assets, is for the unit credit method of funding, and has a strong bias in favor of gain and loss analyses. As I am sure Mr. Berin is aware, he would receive strong arguments from many practitioners in the field on all of these points.

Although this book has relatively little value for someone well-versed in the actuarial mathematics of pensions, Mr. Berin's book could be useful for the non-pension actuary or the consultant who wants to familiarize himself with this subject. It should certainly prove a helpful volume for administrators of pension plans and for employers. □

FIRMS SOUGHT FOR BIDDING ON 4% MONETARY VALUES COMPUTATIONS

The Society of Actuaries' Committee on Preparation and Publication of Monetary Values plans to seek bids for the computation of various monetary values using a 4% interest assumption. On this project, the Society Committee is working jointly with a similar committee of the Life Insurers Conference, with the objective of preparing 4% values on both the CSO and CSI mortality tables.

It is anticipated that specifications will be exactly the same as those used in preparing the earlier 2-3½% values. Values likely to be calculated are those based on age nearest birthday found in the earlier Society volumes I, II, III, IV-1 and IV-2, CSO curtate functions, and volumes I, II, III, CSO continuous functions. Calculations for a similar eight volumes will also be made based on age last birthday. Calculations of values using the Commissioner's Standard Industrial Table are also anticipated and it is likely that such values will be calculated as before for Volumes I, II, III, IV and V, 1961 CSI table. Thus it is anticipated that values for 21 volumes in all will be generated. There is likewise some possibility that values for accidental death benefits and disability benefits volumes will be prepared to correspond with comparable earlier volumes published by the Society of Actuaries.

It is anticipated that the computational output would be in computer tape form since printed copy will likely be prepared by a photo composition process. The successful bidder will be held responsible for the accuracy and completeness of the calculations as well as conforming exactly to the bid specifications.

The committee has requested that any firms or organizations interested in quoting on the above computations indicate such interest to Gary N. See, Executive Director, in the Chicago Office of the Society, no later than September 1, 1974. Please also indicate the type of EDP equipment that would be used.

COMMITTEE ON PREPARATION AND PUBLICATION OF MONETARY VALUES**NATIONAL HEALTH INSURANCE AND POLICY OPTIONS**

by Daniel W. Pettengill

A timely article in the June 13, 1974 issue of the *New England Journal of Medicine*, *Policy Options and The Impact of National Health Insurance*, by J. P. Newhouse, C. E. Phelps, and W. B. Schwartz, M.D. is worth a quick reading by all actuaries and should be studied carefully by those concerned with health insurance.

Using small, sample populations, the three authors have endeavored to estimate both the dollar and time price of various features common to many national health insurance proposals and the resulting effect on the demand for services. They have also estimated how the health care system would equilibrate to the stress of such changes in demand. Finally, they comment on what return on investment can be expected from increased provision of services.

The article is somewhat weakened by □

incomplete analysis. For example, the authors state: "Many argue that if outpatient coverage were widely available, demand for hospital services would fall. This hypothesis has intuitive appeal, but the data do not support it . . .".

Here they drop their analysis instead of going on to make two other very key observations: First, that absent the availability of adequate coverage for ambulatory care, there is a disincentive to reduce unnecessary hospital utilization; and, second, that if the provision of ambulatory care benefits is coupled with a suitable incentive for the physician to use such care, there is generally a marked reduction in hospital utilization—witness the experience of Kaiser and other prepaid group practice plans.

While this writer does not agree with all of the assumptions or conclusions of the authors, he commends them for a thought-provoking piece of research that should be helpful in an area as complex as health where opinions far outnumber facts. □