



SOCIETY OF ACTUARIES

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SOCIAL SECURITY AMENDMENTS OF 1977

Summary of the Conference Agreement on H.R. 9346—The Social Security Amendments of 1977. Committee on Ways and Means, House of Representatives, Washington, D.C. (WMCP: 95-61, 1977), pp. 14.

by Robert J. Myers

This brief pamphlet, issued on December 15 (just before the debate on the Conference Agreement in both the House and the Senate), is an excellent, authoritative summary of the 1977 Amendments to the Social Security Act. These deal primarily with the OASDI system.

The net result of these amendments, according to the official actuarial cost estimates made by the Social Security Administration, is to substantially restore the financial soundness of OASDI. All cash-flow difficulties are eliminated for at least the next three decades, and the long-range actuarial deficiency (measured over 75 years) is reduced by about 80% (to 1.46% of taxable payroll, from the 8.20% stated in the 1977 Trustees Report).

This pamphlet succinctly describes each of the many changes made by the new legislation. The most important ones are; the new schedules of tax rates and earnings bases; the decoupling of the benefit structure; and the liberalization of the earnings (or retirement) test. Somewhat smaller changes are; the freezing of the regular minimum benefit; the unfreezing of the special minimum benefit; the liberalization of the delayed-retirement credit; a limitation on retroactive benefits; a new method for cost-of-living increases for early retirees; an offset of governmental-employee pensions against OASDI benefits for spouses; and authorization for totalization agreements to be made with other countries.

A number of minor amendments (al-

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A E R F

The Actuarial and Educational Research Fund (AERF) is interested in your suggestions on projects which you feel need doing. Have you something in mind which is probably beyond the scope of an actuary working in his spare time?

AERF is an organization which was incorporated in June 1976. It is managed by 12 trustees, two from each of six actuarial sponsoring bodies. These are the American Academy of Actuaries, the Canadian Institute of Actuaries, the Casualty Actuarial Society, the Conference of Actuaries in Public Practice, the Fraternal Actuarial Association and the Society of Actuaries.

The purpose of AERF is to advance the knowledge of actuarial science and respond to the needs of the public for education and research in actuarial science by coordinating and/or conducting research and studies, by conducting educational programs, by stimulating the production and dissemination of educational material and by undertaking such other activities as may seem desirable to achieve the stated goals.

AERF expects to act as a catalyst to bring together:

- (1) the project — a worthwhile activity to be done;
- (2) the researcher — a person qualified to do the project, and
- (3) the funds donated by parties interested in having the research done.

At their quarterly meeting in December, the AERF trustees authorized as a project the writing of a text on Loss Distributions, which will be of special, but not exclusive, interest to casualty actuaries. The specifications for the text will be published in the near future and the project will be opened to tender.

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DEMOCRACY IN THE SOCIETY OF ACTUARIES

by E. J. Moorhead

Those who attended our annual meetings before 1972 no doubt still have lingering recollections of the sometimes dramatic interruptions for successive balloting to choose officers and members of our Board of Governors. A constitutional amendment, adopted in 1971 by a wide majority after ample discussion, replaced on-the-spot balloting by mail elections. Something was lost by that change, but more was gained, including wider participation in our elections and greater use of concurrent sessions and workshops than of the necessarily more formal general sessions.

In the years 1972-1975 the successive Committees on Elections had to develop their own answers to questions created by the new mail ballot system. Each Committee made up its own collective mind on these matters. Finally, upon the authorization of the Board of Governors, the then Society President, C. L. Trowbridge, appointed a Special Committee on the Election Process in May 1975 "to review the manner in which the Society conducts its elections, and to make any recommendations for change that it deems appropriate." Mr. Trowbridge commented, "There is no implication that our systems have not worked well, or that there is urgent necessity for change. There is an implication that the procedures followed by the Election Committee might be better understood."

The Special Committee, consisting of Messrs. Charles W. Jacoby, H. Douglas Lee, Robert J. Myers and Thomas J. Young under my chairmanship, began by gathering questions that seemed to justify consideration in the interests of

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Democracy

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assisting future Committees on Elections and of fostering uniformity of practice from year to year. No fewer than 24 such questions were listed.

By the end of 1975 the Special Committee had drafted a report whose major sections, as follows, indicate its content:

First General Question: What is the intent of the process for choosing Elect Board Members?

Second General Question: Have there been material differences in the ways that the past four Committees on Elections have interpreted their task?

Third General Question: What should be the respective roles of the Board of Governors (and Executive Committee) and the Committee on Elections in establishing and changing Guidelines?

Recommendations on Specific Matters. There were 34 of these altogether.

This report went to the then Board of Governors via its Executive Committee, requesting individual comments and suggestions. The many views received caused the Special Committee to withdraw three of its 34 recommendations, and to alter one of them. The amended report was then placed into the hands of each of the 1976 and 1977 Committees on Elections, to be treated by each as it saw fit.

The following excerpt from the report of the 1977 Committee on Elections, chaired by Mr. Trowbridge, neatly summarizes the influence that the 31 recommendations have had upon the election process:

"1. There were 21 different recommendations which in effect called for no change. These were either recommendations *against* changes that the Special Committee had considered, or endorsements of procedures that had previously been in effect. The Committee on Elections agreed with the Special Committee to all of these.

2. There were eight different recommendations for change or clarification which have by now been put into full effect. None of these are major matters, but all are considered to be improvements. A listing of these will give the Board a feel for changes that have been made.

a. The Committee on Elections now has some continuity, with about one-third rotating each year. □

Deaths

Forrest E. Black, Jr.
James H. Braddock
Reginald E. Dowsett
Stanley M. Hof
Walter Young

- b. The "non-life" classification of actuarial employment has been split into two—"consultant" and "other".
- c. and d. No longer do President-Elect or Vice-President candidate names appear on the first ballot unless they have previously indicated a willingness to serve.
- e. A Vice-President whose term continues will not normally be considered for President-Elect.
- f. A person who has served a Board term in one of the non-competitive positions will be considered for Vice-President.
- g. The Editor's position on the Board has been reassigned to the Director of Publications.
- h. The Committee on Elections now holds at least one full face-to-face meeting after the first ballot results are known.

3. There was one recommendation of the Special Committee that the 1976 Committee on Elections thought ill-advised, and chose to ignore. This recommendation had to do with selecting some, but not all, of the Committee on Elections from among past and present officers of the local actuarial clubs."

Thus have the purposes for which the Special Committee was appointed been happily accomplished. It remains only to close this article with one reminder for the years ahead.

One of the Special Committee recommendations was that the Board of Governors appoint successor committees, at about five-year intervals, to examine afresh the workings of the Society's election process. The date thus contemplated for the next peering over the shoulders of the Committees on Elections is 1980. The 1975 Special Committee hopes this will not be forgotten—some of us may even do some memory-jogging when the time approaches.

Editor's Note: By non-competitive positions the Special Committee presumably refers to the offices of Secretary, Treasurer, and Director of Publications. □

Social Security Amendments

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though important to those affected) are also included in this legislation. These include ministers who opted out of coverage being given a temporary period to elect back in; remedying the double taxation for employers of individuals who work concurrently for several related Corporations; and provision of coverage for certain selected small state and local government entities.

The new legislation also provides for several studies. A National Commission on Social Security (operating side by side with the statutory Advisory Council on Social Security), with some of the members being appointed by Congress, will be established. A study will be made by the Department of HEW of universal OASDI coverage by taking in government employees and employees of non-profit institutions and of equal treatment of men and women under OASDI.

The pamphlet contains valuable data on the cost aspects of the amendments, showing the short-range changes in income and outgo arising under the various provisions and the progress of the OASI, DI, and HI Trust Funds for the next decade. Also, data are given as to the long-range actuarial balance of the program, showing how it is affected by each of the various changes in the law. □

SOCIAL SECURITY

Mr. Robert J. Myers has prepared an up-to-date issue of his Summary of the Provisions of the Old Age Survivors and Disability Insurance System, the Hospital Insurance System and the Supplementary Medical Insurance System. The new issue will cover the changes made by the 1977 Act.

Copies will be sent automatically to those who had requested copies of the previous issue (May 1977). Others may obtain a free copy of the booklet by writing to Mr. Myers at 9610 Wire Avenue, Silver Spring, Maryland 20901.