The Actuary

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FAR TOO MANY OLD PEOPLE?

by Wilbur M. Bolton

In Arthur Pedoe's article in the December 1976 issue, he quotes the U.S.H.E.W. Actuarial Study No. 72 (Bayo and McKay, July 1974) as projecting a downward trend in mortality for the next 25 years in the United States, such that "the assumed expectation of life for the year 2000 (males) is 13.59 years for age 65 as against 12.99 years for the years 1969-71; for female lives the corresponding figures are 18.12 and 16.83."

After flattening out in the 1960's, mortality at the middle and older adult ages has begun to improve again; and the improvement since the 1969-1971 U.S. population tables were constructed has been substantial: a 10% reduction for both males and females at ages 65 and up in the half dozen years from 1970 to 1976. This has profound implications in fields of interest to actuaries, and has been implicitly recognized by the appointment of a Society Committee (special) to establish new mortality tables.

For social insurance programs, it is vital that changing trends of this type be recognized; the U.S. social security system has retirement benefits currently "locked in" to a fixed retirement age of 65, set about 40 years ago. Life expectancies have lengthened as follows since 1940:

Year	$\mathring{e}_{21}$	$\mathring{e}_{65}$	T_{65}/T_{21}
1940	47.64	12.80	17.6%
1950	50.27	13.83	19.5
1960	51.64	14.39	20.7
1970	52.07	15.00	21.5
1976(est.)	53.40	16.00 ! !	23%+?

I submit that it is unreasonable, at a time of ZPG and lengthening life span, to retain a fixed retirement age which becomes a "mandatory retirement age" for much of our population. The present OASDI taxes take a "moderate" tax from five workers to provide "reasonable" minimum income to one retired worker. (When disability beneficiaries, spouses and orphans are added in, the ratio of beneficiaries to active workers is about 1 to 3).

If no change is made in the benefit design of OASDI, within a few years we will be in a system where a severe tax has to be collected from three active workers to support one retired worker at a subsistence level.

I'd like to see a nationwide poll to choose among these alternatives:

(1) Continue current retirement age at 65, increase employee (and employer) OASDHI tax from 5.85% to 9% or 10%.

(2) Increase "usual" retirement age from 65 to 70, in steps; (i.e., to 66 in January 1979; to 67 in January 1983; etc.) and continue employee/employer tax in the 6-7% range.

The current OASDHI structure is becoming an engine of inflation:

(A) Congress increases benefits to retired and disabled lives;

(B) This induces more people to retire early (or, in some cases, to develop marginally disabling illnesses);

(C) Which causes actual outgo to exceed projected outgo, and OASDI tax payments to fall short of projected taxes; so

(D) Congress increases the employer/employee tax;

(E) Employees react to reduction in living standards by seeking pay raises; unions go on strike;

(F) Employers raise pay to employees; increased tax and pay increase reduce profit margins; so employer increases prices to customers;

(G) Some customers are OASDHI beneficiaries, suffer decline in living standards, write their Congressman. (Return to A, and recycle).

On a macroeconomic level, this recurrent cycle is increasing the prices of U.S. goods beyond levels competitive with other nations; and is accompanied by a gradual decay in the strength of our national economy compared to nations with more stable currencies or less active social welfare politicians. This decay and gradual reduction in the ability of employers to invest in new, more efficient equipment will not be rectified unless the U.S. Congress takes some corrective action along the lines of either reducing OASDI benefits, or (and this amounts to the same thing) increasing the age to which you have to work for a specified retirement income.

To return to the questions from Mr. Pedoe's article which launched this letter, perhaps the answer to "too many old people" is to re-define the breakpoint age as to what constitutes old, say from 65 to 68 or 70; and if the dip in mortality from 1970 to 1976 is *not* just a fluctuation, we *already* have a longer expectation of life than was forecast in U.S.-H.E.W. Actuarial Study No. 72, for the year 2001. □

ANNUAL REPORT, SGLI AND VGLI

by Donald C. Pailler

This is the eleventh in a series of annual reports by the Veterans Administration on the Servicemen's Group Life Insurance Program. The report gives general information on the Programs including a brief history from the inception in 1965 through the Veterans Insurance Act of 1974 and the introduction of the VGLI and Retired Reserve coverages, and details on the coverages and operation of the SGLI Program for the year ending June 30, 1976.

Financial statements are given of the operation of the Program, separately for SGLI (the group insurance coverage for active servicemen, ready reserves and part-time reserves and the individual term to age 60 coverage of retired reserves) and for VGLI (the individual insurance on a five year term plan serving as a low-cost postponement of the original SGLI conversion privilege). A printing error introduced a certain amount of confusion for failing to label the second of these statements as applicable to VGLI.

Of special interest is the study of mortality experience for the period 1973 through 1975. This covers all service personnel on active-duty. The results are presented by age group and by branch of service, with accidental death rates shown separately. Exposure and deaths for Vietnam are excluded. Similar information is also shown separately for officers and enlisted personnel. Overall experience for each calendar year under the Program for the 120 day extension period following separation from active duty is also presented.

Copies of this report have been distributed to companies participating in the Servicemen's Group Life Insurance Program. Single copies may be obtained by writing to N. J. Prendergast, Chief, Insurance Actuarial Staff, Veterans Administration Center, P. O. Box 8079, Philadelphia, PA 19101. □