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Investing

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Most actuaries, even those not involved with investment-related functions, deal with cash flow at one time or another, so Chapter 10 (which should, logically, be Chapter 2) on Cash Flow and Cash Flow Forecasting should prove to be of great professional interest—especially since this chapter is augmented with Equitable's Cash Flow Model.

Private Placements, Income Property Mortgages and Equity Real Estate are three areas of life companies' investments that have been particularly popular in the '70's. Chapters 2, 3 and 6 analyze the characteristics that led to the popularity of these investments and provide a series of statistics showing growth in life companies' portfolios.

Common stock holdings of life insurance companies have increased by a multiple of 15 over the last 25 years, and have tripled (to around 10-11%) as a percentage of total life company holdings. Their rise in stature is evidenced by two chapters. One discusses the Modern Portfolio Theory with a description of how it is applied in the investment process of the College Retirement Equities Fund (CREF) and the other deals with the Geometric Mean Strategy and requires a bit of polishing up of your statistics as a prerequisite.

Of course, the advent of Separate Accounts contributed to a great degree to the rise in popularity of common stocks and the brief and rather complete chapter on Separate Accounts provides a significant amount of historical and factual background.

The limited involvement of the life insurance industry in the erstwhile popular Real Estate Investment Trusts is outlined in Chapter 7. The title of the chapter on Measurement of Investment Performance raises expectations of actuaries who always wanted to do some second-guessing of their investment department but, unfortunately, delivers less than it promises even though it makes for some rather interesting reading.

Chapter 11 briefly touches on the impact of inflation with special emphasis on its impact on investment policies while Chapter 12 gives some insight into the investment operations of small and

BOOK REVIEW

Munnell, Alicia H., *The Future of Social Security*, pp. 190, The Brookings Institution, Washington, 1977, \$9.95, \$3.95 paperback.

by Robert J. Myers

The financial problems of the Old-Age, Survivors, and Disability Insurance program have drawn considerable public attention during the past few years. This has produced quite a number of books and papers on the subject with various recommendations as to what should be done about the future of the program. One of the best of these books has been written by Alicia H. Munnell, formerly on the staff of the Brookings Institution and now an Assistant Vice President of the Federal Reserve Bank of Boston.

Dr. Munnell's book discusses all the items that constitute the problems confronting the Social Security program from the philosophic question of individual equity versus social adequacy to the always interesting question of the effect of OASDI on savings and capital accumulation. The book has excellent summaries of each chapter.

To those interested in OASDI (and all actuaries should be!), this reviewer can heartily recommend that they read the book even though Dr. Munnell's views may frequently differ from those of the reader (and this reviewer too). Dr. Munnell has attempted with considerable success to present fairly views that differ from her own, which is none too common in a volume dealing with a controversial subject.

Note: A detailed review of the book will appear in the *Transactions*. □

medium-size life companies. The recent emphasis on the social responsibilities of investors is recognized with a separate chapter on the subject with life companies assigned the role of investor. Finally the impact of investment regulation is the subject of the last chapter.

A book of great educational value—parts of it should find their way into the exam syllabus, and a definite must for any continuing education reading list—a really invaluable reference work for life insurance executives and a well written highly readable book—this summarizes this recent Huebner Foundation effort. □

Distinguished Service Award

We extend our congratulations to A. Haeworth Robertson, former Chief Actuary of the Social Security Administration, on his receiving the Arthur J. Altmeyer award of the Department of Health, Education and Welfare for his "distinguished service to the nation."

Social Security Note

Orlo R. Nichols and Richard G. Schreitmuller, *Some Comparisons Of The Value Of A Worker's Social Security Taxes And Benefits*, Actuarial Note No. 95, Social Security Administration, Baltimore, Md., April 1978, pp. 17.

This note contains calculations of the relationship of present values of future benefits and the worker's share of future taxes under the OASDI portion of the social security program, the "money's worth" question. The authors present selected examples of individual workers by age, sex, earnings level, years of past coverage and family status. The authors conclude that while a majority of workers can expect to receive their "money's worth", they caution that the analysis is limited and depends on the assumptions used.

Copies of this Note may be obtained free of charge from the Office of the Actuary, Social Security Administration, Baltimore, Md. 21235. □

Actuarial Cost Estimates for the Old-Age, Survivors, Disability, Hospital, and Supplementary Medical Insurance Systems, as Modified by Public Law 95-216, Committee on Ways and Means, U.S. House of Representatives, March 3, 1978, pp. 28.

This document prepared by the Social Security Actuaries for the use of the House Committee on Ways and Means presents the cost projections that were provided to the Congress with respect to the 1977 Social Security Amendments. Short-range, medium-range, and long-range estimates are presented for the Social Security system as it was before and after the Amendments. Separate estimates, both in dollar amounts and a percent of taxable payroll, are presented for the major changes in the law.

A limited number of free copies are available from the Office of the Actuary, Social Security Administration, Baltimore, Maryland. 21235. □