



# The Actuary

The Newsletter of the Society of Actuaries

Part 9 Blue

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SEPTEMBER, 1978

## E&E DEVELOPMENTS

by J. Alan Lauer

The Education and Examination Committee has been working on two important projects that are of interest to Society members and students. The first is a plan for joint administration of examinations with the Joint Board for the Enrollment of Actuaries, the American Society of Pension Actuaries (ASPA) and with the Casualty Actuarial Society (CAS). The second project involves a broader plan for an overall revision of the Society's Associateship and Fellowship examinations.

The first project got started after the Joint Board indicated, earlier this year, that it might be willing to participate in the joint administration of two examinations with the professional actuarial societies. In May, the Board of Governors passed a resolution authorizing the E&E Committee to jointly develop, with ASPA, CAS and the Joint Board, a workable plan for jointly administering the examinations for meeting the educational requirements for enrollment to perform actuarial services under ERISA. This plan for joint administration is subject to approval by the Executive Committee. The same Board resolution also authorized the E&E Committee to develop the necessary modifications of our own examinations, so that the Society of Actuaries could give credit for the jointly administered examinations as part of its syllabus. These syllabus modifications are subject to final approval by the Board of Governors.

The plan for joint administration is nearly completed, and is to be considered by the Educational Policy Committee at the end of August, and by the Executive Committee early in September. If the plan is approved, the first jointly administered examinations would be

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## BOOK REVIEW

Robert W. Strain, ed., *Life Insurance Accounting*, pp. xii, 588. The Merritt Company, Santa Monica, California, 1977, \$21.50.

by John Cipoletti, CPA\*

*Life Insurance Accounting* is the work of twenty three authors under the direction of the Insurance Accounting and Statistical Association (IASA). It was designed to be a reference source which does not require expertise in insurance, accounting, investments or any of the topics covered. The authors were selected from the business world and hence contribute a pragmatic touch to the subjects discussed. Most are insurance company executives or members of CPA firms.

The work is comprised of seven major sections which deal with the history of insurance accounting; assets; liabilities, capital and surplus; operations; generally accepted accounting principles (GAAP); planning; and reports and consolidations. Each chapter is written by a different author. A completed annual statement including instructions is also provided.

*Life Insurance Accounting* fulfills its desired goal in providing a basic insurance accounting text in easy to follow, non-technical terms. Those who have not been involved in insurance accounting will find the work to be educational and informative without being overwhelming in accounting theory. Readers who have been long away from this area will similarly benefit from it as a refresher. Those who are involved in accounting, however, will probably find the book too basic. Because of its intended role, some depth and technical

\*Mr. Cipoletti is Senior Accounting Analyst with the Prudential Insurance Company of America.

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## THE PENSIONS SCENE IN CANADA

by D. Don Ezra

Laurence Coward says that every fifteen years Canada gets pension fever. The bout thirty years ago led to the creation of our flat-rate Old Age Security pensions for all over-65's, while fifteen years ago the temperature mounted as discussions took place that eventually led to the Canada and Quebec Pension Plans. Since then most provinces have adopted regulatory legislation for private sector pension plans, and funds have grown to almost \$30 billions. Evidence of the current fever is to be found in the number of studies of the system in progress, among them the Quebec "Cofrentes+" Commission and the Royal Commission on the Status of Pensions in Ontario. The Canadian Institute of Actuaries submitted formal briefs to both these Commissions.

The brief to the Ontario Royal Commission was divided into six sections:

(1) The real issue is the whole retirement system, not just pensions in isolation. A retirement system should permit a smooth transition (instead of the present abrupt change) from a working career to a retirement career in a manner economically neutral or beneficial to the country. For each person, this is an individual problem requiring individual planning, and no group programs, by governments and/or employers, will ever be a complete solution.

(2) The brief urges the Commission to encourage the development of public awareness of the cost aspects of financial planning for retirement, and provides two numerical examples. This theme, of decisions being made in the light of greater public understanding of the costs of alternative approaches, is one that continues throughout the brief. The Cana-

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The Society is not responsible for statements made or opinions expressed in the  
 articles, criticisms, and discussions in this publication.

## EDITORIAL

We trust that with the items in this issue the dust kicked up by the Manhart rumpus has now settled and that consequently we can devote our time to important problems.

On the Proposed Membership Requirements, many of our readers have already commented either by letter or orally at actuarial club meetings. There is still time for those who have not yet aired their views to do so.

Mr. Lauer's article deals with a subject not entirely divorced from membership requirements, the article is merely a notice to the members of the present efforts of the Committee and these have obviously not yet reached the point where comments and criticisms could be invited. That is no reason why our readers should not give us of their wisdom in the columns of *The Actuary*—a wonderful chance for those senior members long removed from the examination process to comment on actuarial education.

Kind or even respectful words for actuaries are somewhat rare and accordingly the editorial in *The Wall Street Journal* of July 10th was most welcome. We quote briefly:

### "IT AIN'T ACTUARILY SO

A polling organization once asked the general public what an actuary was, and received among its more coherent responses the opinion that it was a place where you put dead actors. The actuarial profession, which specializes in the recondite calculations insurance companies and pension funds make to balance their assets and obligations, bears this sort of thing with a patient shrug. It is not often in the public eye. It has inspired no television series.

"Which is too bad. Consider the recent statement of the Social Security System's trustees — Treasury Secretary Michael Blumenthal, HEW Secretary

Joseph Califano and Labor Secretary Ray Marshall — that the increase in payroll taxes our legislators decreed last year has 'restored the financial soundness of the cash benefit program.' No actuary would agree with this. As the trustees implicitly concede elsewhere in their annual report, the increase merely postponed an inevitable crisis. If the system is to avert ultimate catastrophe, more people in Washington are going to have to submit to actuarial discipline.

"If he (the President) is lulled into complacency by those assurances of 'financial soundness,' we can only suggest that he consult with a few hard-headed actuaries."

Senator Hayakawa (R. California) has helped to wider spread the gospel by having the editorial entered in the Congressional Record (July 11, 1978). We thank several of our readers for bringing this item to our attention.

A.C.W.

## LETTERS

### Social Security

Sir:

Mr. Bayo's article in the June issue summarizes the 1978 reports on the Social Security Trust Funds. I would like to emphasize the importance of these reports which does not terminate with their publication. These reports on the program's financial condition were released by Social Security's Board of Trustees with as little fanfare as possible. To do otherwise would have been to risk publicizing that, despite recent assurances to the public that the 1977 Amendments placed the Social Security program in sound financial condition for the next 50 years, the facts (according to projections prepared by the Social Security Administration actuaries) are as follows:

- The Hospital Insurance program will begin operating at a deficit in 1985 and the Hospital Insurance trust fund will be exhausted in about 1990—just 12 years from now.
- To finance the benefits provided under the present Social Security program (Old-Age, Survivors, Disability and Hospital Insurance combined) will require current tax rate of 6.05 percent to be increased steadily to approximately 8 percent by the year 2000 and 12 percent by the year 2025. In other words, the tax rate will have to increase, on the average, by 0.13 percent *each year* for the next 46 years at which time it will be some 12 percent of taxable earnings. (Current law provides for the tax rate to increase to 7.65 percent by the year 1990 and to remain level thereafter.)

Publicity of this type could have been considered to be inappropriate at a time when the public was balking at a scheduled tax rate increase in 1979 of a mere 0.08 percent (from 6.05 percent to 6.13 percent) and when the Congress was considering "rolling back" the tax rate to 5.85 percent and "using general revenue" to meet the deficits thus created. For those not familiar with government jargon, it may be useful to point out that to "use general revenue" can mean any one of these three things:

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## EXPRESSIONS OF OPINION BY THE SOCIETY OF ACTUARIES

by Preston C. Bassett

The right of the Society to publicly express a professional opinion and the procedures to be followed are governed by Article X of the Society's Constitution (Year Book, p. 327). Such opinions are restricted to "matters within the special professional competence of actuaries."

Several actuaries believe that the brief filed with the Supreme Court in connection with the Manhart case, was an expression of opinion of the Society of Actuaries and, therefore, the conditions of Article X should have been followed. The position of the Board of the Society of Actuaries was that the brief was not an expression of opinion, but rather a statement of facts which they believed to be important for the Supreme Court to be aware of before rendering a decision. (See "The Actuary" of May 1978).

As a result of the contrary feeling on the part of several actuaries, the Board asked that a subcommittee of the Board review Article X and report on whether Article X should be changed, modified, or left as is. The charge to the subcommittee was, regardless of the Manhart case, to review Article X to see that it properly expressed the conditions under which opinions should be presented.

Article X was adopted several years ago only after considerable discussion and a trial period, because many members of the Society felt that it would be possible for a small group to express an opinion which could be contrary to the wishes of other members of the Society. Those interested in the discussion of this topic should read the minutes of the Annual Meeting in 1966 (TSA XVIII D 691). At that time the Society could not express an opinion on any matters. The first attempt to change this provision was narrowly defeated and further study was given to the topic.

In 1970, the current provision of Article X was adopted on a temporary basis to be automatically cancelled after four years. This was to provide a trial period during which the members could determine the usefulness of expressing opinions. During the trial period, the Article was used only once or twice. Then, in 1974, at the expiration of the temporary period, Article X was adopted as a permanent provision of the Constitution.

At the last meetings of Executive Committee of the Board and the full Board various aspects of Article X were discussed

at considerable length. They considered whether or not the Society should ever express an opinion on any topic. Since the American Academy of Actuaries is the principal body for representing the profession to the public, this function might be unnecessary for the Society, but rather left entirely in the hands of the Academy. However, most of the members of the Board felt that, since the Society is the basic educational and research organization, it should on its own at appropriate times express opinions in accordance with Article X. The Board emphasized that it should be restricted to matters "within the special professional competence of actuaries." There was also considerable discussion as to what might constitute an opinion and what might constitute a fact. The responsibility for this determination would be left with the Board. In doubtful cases the presumption would be that it would be an opinion unless the Board ruled otherwise. As a result of these extensive discussions, the Board adopted the following resolutions:

"RESOLVE, that the Board of Governors of the Society of Actuaries following a careful review of Article X of the Constitution believes that no changes are necessary in the wording of this article."

The Board did not stop there, however, but went on and adopted the next resolution:

"RESOLVE, that the Board approves the following statement of the communication to the membership of the Society:

The Board has carefully considered the comments of those challenging the Board's actions on the Manhart case and believes that the Board's actions were based on an intention to express facts rather than opinion and hence were proper in the context of Article X of the Constitution. The Board further believes that the statements in the brief were substantially factual. As a result of the questions raised regarding the handling of the Manhart matter, the Board and the Executive Committee have carefully reviewed Article X of the Constitution and believe that it is adequate for instances where the Society, the Board, or its committees have occasion to express opinions on matters within the special professional competence of actuaries". □

## THE MANHART CASE

by A. C. Webster

The response to the May editorial inviting comments on the Manhart case was small in number but nonetheless interesting. Four of the writers apparently agreed wholly with the dissidents. Of the others, about one half were inclined to agree that the brief represented an expression of opinion but were not, on that account, highly critical of the Board's action. Several of the writers thought that the Board might well have used the procedure in the second paragraph of Article X rather than the procedure mentioned in the first paragraph.

Space does not permit printing the complete letters, and the following is a synopsis (in alphabetical order). I trust

that the writers will excuse the editor for his severe use of the blue pencil.

*Clyde D. Beers*—is in complete agreement with Messrs. Daskais and Anderson. "Many would rather fight different battles than perpetuating sex distinctions in pension benefits".

*George Cherlun*—points out that there would be no controversy had the Society followed paragraph 2 of Article X which "would have been equally as instructive for the Supreme Court".

*Raymond E. Cole*—suggests that because of the difficulty in distinguishing between fact and opinion, Article X might be interpreted as applying not only to briefs but to all public pronouncements of the Society.

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**Letters***(Continued from page 2)*

- (1) Reduce government spending so that a portion of the general taxes already being collected will be available to pay Social Security benefits.
- (2) Increase the general taxes so that additional funds will be available to pay Social Security benefits.
- (3) Do neither (1) nor (2), but increase the national debt by the amount needed to pay the portion of the Social Security benefits which cannot be financed by Social Security payroll taxes, i.e., engage in deficit spending.

Proposals the past few months to use general revenue to finance Social Security benefits have contemplated definition (3) so as "to minimize the impact on the economy." This is specious reasoning to say the least. Such action would be tantamount to continuing benefit payments at ever-increasing levels but refusing to collect the taxes necessary to pay for such benefits. This first small dose of deficit spending "to pay for" Social Security would undoubtedly result in continuing and larger doses until the public eventually became hopelessly addicted to the illusion of getting something for nothing. Congress has an awesome responsibility in deciding whether to be the pusher for euphoric deficit spending for Social Security.

In addition to this responsibility, Congress has a golden opportunity to regain some of the public confidence it has lost in recent years. Just because the Trustees issued their financial reports to the Congress without fanfare, that doesn't mean the Congress has to keep quiet. Congress should communicate the results of these financial reports to the public so they will have a full understanding of the probable cost of Social Security, now and in the future. Attempts to conceal the cost, or minimize the significance of the cost, or apologize for the cost will not change the cost in any way. Furthermore, Congress should explain to the public the rationale of the Social Security program so that people will know what role they should expect Social Security to play in meeting their income maintenance needs.

Once the public knows what Social Security is and what it costs, they will be in a position to reaffirm the program or effect a revision which strikes an acceptable compromise between what the public wants and what it is willing to pay for. In either event, everyone will be the winner. If the public is not given more information, everyone will be the loser.

*A. Haeworth Robertson*

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**Actuarial Directions**

*Sir:*

As you are aware the Executive Committee of the Society of Actuaries is doing some long range planning for the profession and the role of the Society. I have the specific responsibility for the supervision and planning for Actuarial Research and Experience Studies.

Our Mortality and Morbidity Committees have done an excellent job over the years as witnessed through the annual publication of the Reports Number. Individual members have also contributed in extending actuarial wisdom through papers and contributions to the Record. Nevertheless, there is a concern as to whether we are doing enough to meet the current and future needs of our members, our clients and employers, and the general public.

Three members of the Board and myself will be looking at:

- (i) Research requirements.
- (ii) Current studies and facilities for research.
- (iii) The means to coordinate and direct the necessary research.
- (iv) Funding.

We would appreciate very much hearing from actuaries what they feel the profession should be looking into and specifically what the Society of Actuaries should be doing to provide the experience studies or professional research that the members require or anticipate may be needed in the future. For example, are the form and content of the mortality studies adequate? Are other experience studies needed for GAAP—for example, expense analysis, persistency, characteristics of investment experience? Should the Society be doing more to support risk classification? Does the pension actuary have sufficient experience to back up his assumptions?

I would appreciate any thought from members, either through *The Actuary* or direct.

*R. B. Leckie*

\* \* \* \*

**Membership Requirements**

*Sir:*

I too am in general agreement with Mr. Boynton's discussion of the problem facing the Membership Committee of the American Academy of Actuaries. Like Mr. Weller, I come to a different conclusion.

An expanded academy membership appears desirable — but the suggested uni-class would be a giant step backward as regards reorganization of the actuarial profession in North America. I continue to believe there should be a single strong actuarial organization (profession) in the United States. If it is felt necessary to have a lower standard than what has been contemplated for admission to the U.S. national organization, this could be accomplished by having two classes such as "Associate" and "Fellow" in the Academy.

Perhaps both classes could be given the right to vote (or Associates who have been members for a period of time such as 5 years), rather than restrict voting only to Fellows, as is currently done in both the Casualty Actuarial Society and the Society of Actuaries.

On the reorganization subject, I still have a strong preference for two organizations, one in Canada and one in the U.S., with joint committees working on common subjects (such as Education and Examination). I would hope, however, that the subject of relaxing membership standards in the Academy as it exists today will not be handled independently of the bigger subject of reorganization. However, if there is to be a change in the existing Academy's minimum standard for membership, then would suggest there be two membership classes.

*Donald R. Sondergeld*

\* \* \* \*

*(Continued on page 5)*

## Letters

*(Continued from page 4)***Actuaries As Lobbyists**

Sir:

At the recent joint meeting of the Society of Actuaries and the Casualty Actuarial Society, Thomas F. Eason urged actuaries to become more active at the governmental level. He contends that state legislators and bureaucrats are generally uninformed about the value of an actuary. "Because state government is so poorly equipped technically, there are no actuaries with whom they can visit to learn about actuarial services," he said, "Attorneys and others who are accustomed to lobbying predominate, and so the legislators do not know the actuaries . . . We need more communication with our regulators and we need to persuade our employers that capable actuarial talent in the regulatory sphere is essential to our doing the job which is required of us."

I agree with Mr. Eason's remarks, as interpret them. But if he is implying that actuaries, *instead* of attorneys and others, should do the actual lobbying, I would have to disagree.

A lobbyist is continually trying to "sell" ideas, to persuade others to accept and to implement those ideas. I have always felt that an idea isn't worth a nickel unless you can sell it! And relatively few actuaries are sales-minded; they have trouble enough in their efforts to achieve a meeting of the minds between actuaries and marketing officers. Moreover, the actuarial syllabus is crowded already, without requiring the student to prepare to be a lobbyist ultimately.

So, let the attorneys and others continue to be the lobbyists, but, as Mr. Eason implies, crusade for actuaries in the state insurance departments, and pay them adequately. In that way only, will the necessary meeting of the minds between the companies and the regulators ever be achieved. To me, it's practically inconceivable that any state insurance department can function effectively without a competent actuary on the commissioner's staff.

Milton J. Goldberg

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**Pension Terminology**

Sir:

The professional actuarial bodies are now considering requiring all actuaries to use a new, standardized set of terms. Both the IPAAG proposal and the Committee on Pensions Proposal provide terms that are too lengthy and too complex. Such complexity would make it more unlikely than ever that non-actuaries would understand us, over and above the confusion in communication which occurs in any transition in terminology. In addition, the complexity decreases the likelihood that actuaries will actually use the new terms, regardless of any resolutions of the professional organizations.

Adoption of the new "standard" terminology would not, of course, actually eliminate the traditional terminology; it would only add one more set to the proliferation of terms. Actuaries will still be required to use the traditional terminology, imbedded in Section 3 of ERISA, for Schedule B. If they use a different set for other purposes, confusion will abound.

Donald S. Grubbs

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**Society Examinations Seminars****GEORGIA STATE UNIVERSITY**

Seminars for Parts 1 (upon demand only) 3, 4, and 6, of the Society Examinations and Part 5 of the Casualty Actuarial Society Examinations will be held between October 9 and 27, 1978.

Complete information may be obtained from:

PROFESSOR ROBERT W. BATTEN  
Georgia State University  
Department of Insurance  
School of Business Administration  
University Plaza  
Atlanta, Georgia 30303  
Telephone (404) 658-2725

**NORTHEASTERN UNIVERSITY**

Seminars for Parts 3, 4, 6A, 6B (G and I), 6C (G and I), 8A, and 8B (G and I) will be held between September 11 and November 10, 1978.

Complete information may be obtained from:

DEAN GEOFFREY CROFTS  
Graduate School of Actuarial Science  
Northeastern University  
360 Huntington Avenue  
Boston, Mass. 02115  
Telephone (617) 437-2324

**AERF HAS 501(C)(3) STATUS UNDER U.S. INTERNAL REVENUE CODE**

The Actuarial Education and Research Fund (AERF) has been granted 501(c)(3) status under the U.S. Internal Revenue Code. Individuals may now make tax deductible donations to AERF. Such donations will be used to fund actuarial research projects which should benefit the actuarial profession as a whole. Donations to AERF should be forwarded to the Society of Actuaries office at 208 South LaSalle Street, Chicago, Illinois 60604, U.S.A.

At its meeting on May 5, AERF agreed to commission a textbook on the subject of distribution of individual losses by size. Persons interested in applying for this project should write to:

MR. CHARLES C. HEWITT, JR.,  
FCAS and MAAA  
Vice-President  
Metropolitan Property and  
Liability Insurance Co.  
700 Quaker Lane  
Warwick, Rhode Island 02887,  
U.S.A.

In conjunction with the Society of Actuaries' Committee on Valuation and Related Problems, AERF is planning projects in the field of surplus requirements, a field in which actuaries could use more theoretical guidance. Projects in other fields are being considered as well.

**Publication**

The Health Insurance Institute has just published the 1977-78 edition of the source book of Health Insurance Data. This provides the latest available data on the major forms of health insurance: hospital, surgical, regular medical, major medical, disability and dental insurance. Also included is information on medical care costs and morbidity in the United States.

Individual copies of the source book may be obtained from the Health Insurance Institute, 1850 K Street, N.W., Washington, D.C. 20006.

## Pensions Scene in Canada

(Continued from page 1)

dian Institute felt it should provide a unique actuarial perspective, rather than espousing any one of the large variety of views that its members, as concerned individuals, hold for themselves.

(3) The brief describes the present system of pension provision, and examines some of its criticisms. It explains why some of the criticisms are invalid or unfair. Nevertheless, the lack of complete coverage, and the fact that vesting and locking-in regulations could be made stricter, do distinguish two areas where improvement is possible.

(4) Solving the problems must take place within the framework of how the responsibility for the solutions is allocated between the parties concerned: society (through governments), employers and individuals. The brief's viewpoint on the roles of the parties is: governments to provide basic support; employers to provide reasonable total compensation for the labour provided by employees, the decision as to how much compensation is deferred being a negotiated one; and individuals to provide whatever else is necessary for self-reliance, the amounts inevitably varying from person to person.

(5) The brief provides an actuarial perspective on some of the factors constraining the potential solutions: the size of inter-generational transfer payments; demographic considerations, the difference between funding to provide greater benefit security (as with private sector plans) and funding as a pricing mechanism (for universal plans); the economic effects of funding; it recommends a study of the extent of the need to index pensions; and it advises against a pension guarantee corporation.

(6) Finally, there are some short-term proposals to stabilize the present environment while the planning for major revisions is proceeding.

Supplementing the brief was a report on existing government programs for the aged.

The Canadian Institute's brief to the Quebec "Cofirentes +" Commission contained specific suggestions on a number of issues:

(1) A plan should be adopted immediately to guide the contribution level

to QPP up to that originally proposed by the Quebec Government Study Group before QPP was established. Until the contribution level reaches this level of adequacy, there should be no benefit increases. There should also be a certain balance between the levels of social welfare, minimum wages and State-provided retirement incomes.

(2) The purpose of the actuarial valuations of QPP should be enlarged from mere projections to a comparison of contributions required under different funding methods.

(3) With regard to private sector pension legislation, vesting should take place much earlier, and should comprise a deferred pension bought by a specified minimum level of employer contributions.

(4) The retirement age under government-sponsored plans should not be lowered, for cost and demographic reasons. Plans for public servants should not permit retirement after a fixed period of service.

(5) All plans for public servants should be funded in advance like private sector plans, and only the provincial government should be allowed to continue its plan without paying contributions into a separate fund. For lower levels of government that cannot meet a plan's solvency requirements, no benefit improvements should be permitted.

(6) With universal pensions tied to the Consumer Price Index, pensioners probably only need further protection in respect of private sector plans when inflation exceeds a certain level. In any event, CPI is probably not the right index for pensioners' needs; and more fundamentally, the government's priority should be to control inflation, not compulsory indexing of pensions.

The "Cofirentes +" Commission has now produced its recommendations. The Ontario Royal Commission is expected to report in March 1979, having now completed its public hearings. □

## SOCIAL SECURITY ADVISORY COUNCIL

The Advisory Council has appointed three economists and three actuaries as consultants to the Council. The major focus of their work will be a review of the procedures and assumptions used in OASDI cost estimates. The three actuaries are Claude Poulin, Walter Shur, and Charles L. Trowbridge. □

## E&E Development

(Continued from page 1)

given in the Fall of 1979. Work is still being done on the proposal to give credit for these two jointly administered examinations as part of the Society's regular examination syllabus. It has not yet been determined whether credit can be given for jointly-administered examinations written as early as the Fall of 1979.

In connection with the second project of overall examination revision, the E&E Committee has been considering plans to upgrade the mathematical content of the Associateship examinations for a number of years. Discussions have been held with representatives of CAS and it is hoped that four examinations, as opposed to the current three, can be jointly administered by the Society and CAS. More recently, the E&E Committee has made an extensive analysis of the overall educational needs of pension actuaries. From this, it is clear there are a number of constructive changes that can be made in improving the pension-related areas of our syllabus.

In light of the many recent and rapid changes within our profession, the E&E Committee has also begun making an overall review of our examination syllabus. The full time assistance provided by the Society's Director of Education, Warren R. Adams, has made it possible for substantial progress to be made in this area within a relatively short time. Still, much work remains to be done. Further input from the other actuarial bodies who jointly sponsor our current examinations is actively being sought at this time. In particular, careful consideration is being given to the nationally-related needs of actuaries in both Canada and the U.S.

It is not yet certain when the E&E Committee will be submitting a specific proposal for syllabus revision to the Board of Governors for their consideration. While the Committee is hopeful that the Associateship revisions can take effect for the 1980 examinations, it is probably more realistic to think in terms of 1981 or 1982 for making changes in the Fellowship examinations.

(Mr. Lauer is the General Chairman of the Society's Education and Examination Committee.) □

**Manhart Case***(Continued from page 3)*

**Ralph E. Edwards**—cites the history of Article X and comments: "At the time of constitutional change the image foreseen was of public hearings before legislative bodies with ample time for lengthy procedures. There was no provision made for the quasi public milieu of a legal brief with a limited (if not inadequate) time available". He believes that the Board of Governors acted in good faith and that the brief was well done in view of the circumstances.

**Patrick F. Flanagan**—considers that the submission of the brief by the Society was improper. He comments further that the Society is an international learned Society and as such it should not become involved in national political controversies. If actuarial input is required in such a controversy, it can be provided by the national organizations, the Canadian Institute of Actuaries and the American Academy of Actuaries.

**Charles M. Larson**—agrees that "the brief was clearly one sided". He further comments: "The use of uni-sex tables may require some adjustments for actuaries. They will not be overwhelming. The law supersedes the comfort of actuaries. Uni-age tables would require us to take a stand. Wait for that fight. We can't win this one."

**Eugene C. Foge**—(Mr. Foge is a Vice President of the Cologne Life Reinsurance Company) writes as follows: "I have just wasted a lot of time wading through the May issue devoted to Article X and the Manhart brief. I am not an actuary, but I finally figured out where all those bad jokes about actuaries come from. Tell the truth now, really. You guys make them up yourselves, don't you, then you send them to the Supreme Court and publish them in *The Actuary*."

**Joseph Goldberg**—regrets the apparent division in the ranks of members of the profession having been brought into the open by the Manhart case. The use of uni-sex tables he considers is a valid subject for discussion within the profession, not without. He believes that the dissent, even if valid, may have harmed the profession more than any "incorrect" opinion might have.

**Walter McLaughlin**—writes: "While not in complete agreement with its structure on all the points raised on the whole, I thought it (the brief) was a good presentation and that those who worked on it should be commended. I have felt that the Society and the Academy have failed to be overly visible in the past few years during which period many laws and regulations have been adopted affecting the work of most members of our profession."

**Charles P. Moore**—writes: "... I congratulate the actuaries (including dissidents) who kept abreast of the Manhart case and recognize that there could be some long-range, deep and far-reaching implications and effects on our profession as a result of a decision in that case. It is comforting to know that people are looking at these situations and reacting.

"... I think we accomplished what we needed to and wanted to get accomplished and will just have to be a little more careful in the future when one or more people are speaking ex-cathedra for our professional group."

**David Ogden**—considers that the Manhart case brief was indeed an opinion and that it would appear that the brief should have been presented as an opinion of the Board of

Governors if two thirds of the Board supported it. The brief "urged the court to avoid a broad decision—specifically a broad decision that would outlaw sex differences in pension plans. This is an opinion as far as I can see."

**Ray M. Peterson**—relates some interesting history about Title VII of the Civil Rights Bill as follows:

"Title VII of the Civil Rights bill, initially, did not mention 'sex.' A Senator from a southern state, as a mischievous prank or an effort to forestall the civil rights legislation, introduced an amendment that included 'sex' along with 'race, color, religion and national origin.' Perhaps to his surprise and, no doubt, disappointment, his amendment was accepted!

Would the current turmoil over sex discrimination never have arisen if the Senator had not introduced his amendment?

In view of the late introduction of the amendment, can it really be said with confidence that the Congress did give adequate consideration to the effect of the inclusion of 'sex'?"

**Allan W. Ryan**—is inclined to agree with Anderson that this matter is more of a political than an actuarial question. He also considers that "consistency requires that uni-sex factors be used for conversions to optional forms and early retirement in pension plans where equal benefits are provided (under the normal form of retirement income) to males and females."

**Paul E. Sarnoff**—considers that the brief falls under the category of an opinion and is subject to the conditions of Article X. He also comments "I would hope that all would now recognize the brief is put together under great time pressure and that it is better for a group of basically dispassionate experts to supply essentially practical guidance than to hope that the court without the aid of these experts could have avoided damage to the industry and the public." Finally speaking as the Chairman of the Society Committee on papers, he completely disagrees with Anderson's opinion. He personally thinks that the brief would meet the qualifications for acceptance of papers.

**William R. Williamson, Jr.**—comments "Although many peripheral considerations were brought into the Manhart brief under discussion, the prime argument rested on mortality differences by sex, the existence of which I had always thought was beyond dispute in the actuarial . . . profession. Would Article X really estop the furnishing of published statistics and derived mathematical projections in court without approval of members who have already demonstrated their agreement in these tenets in the actuarial examinations?"

**David H. Wood**—concludes that the brief was submitted in violation of the Society's constitution because, however inadvertently, it did explicitly express opinions in one or several places. He further comments "I accept and sympathize with the original intention underlying the brief—to support an informed decision by the court by presenting facts which it should be aware of, stopping short of urging the court how to decide its case. This would have represented a public service which I think the Society and Academy should drive to provide . . . a presentation of facts needs careful review to be sure they are the right facts presented in the right context." □

**Book Review***(Continued from page 1)*

descriptions have had to be sacrificed. Consequently, it would not likely be of great benefit in researching a particularly complex problem or transaction. Maximum profit comes from reading the book or at least major sections of it, in their entirety. In this way, it is more like a textbook than a dictionary. Each chapter does contain a list of additional readings which should prove to be a good starting point for more in-depth investigation.

As noted, *Life Insurance Accounting* is written in non-technical language. Do not expect to find theoretical discussions, pages of journal entries, mathematics, or technical descriptions of reserves. The individual topics are discussed from a statutory viewpoint but related to generally accepted accounting principles in a separate section. Subjects are tied in nicely to the annual statement and are covered in basically the same order as found on the statement blanks thus making it easy to follow along the sample annual statement included. Because there are twenty three different authors, there are a number of styles; some better than others. The summaries at the end of each chapter are generally too short to be really useful, and sometimes they are not actually summaries at all but information not included in the chapter. Each chapter includes a list of additional readings which, as noted, could be useful. This work touches on almost every area a life insurance accountant could become involved with, and it is worthwhile reading for anyone who has an interest in the life insurance industry.

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

**Actuarial Meetings**

- Sept. 19, Chicago Actuarial Club
- Sept. 20, Seattle Actuarial Club
- Sept. 21, Baltimore Actuaries Club
- Sept. 27, Actuarial Club of Pacific States
- Oct. 3, Actuaries Club of Indiana, Kentucky and Ohio
- Oct. 12, Baltimore Actuaries Club
- Oct. 12, Boston Actuaries Club
- Oct. 17, Chicago Actuarial Club
- Oct. 18, Seattle Actuarial Club

**Social Security Notes**

Francisco R. Bayo, Howard W. Shiman, Bruce R. Sobus, *United States Population Projections For OASDHI Cost Estimates*, Actuarial Study No. 77, Social Security Administration, Baltimore, Maryland, June 1978, pp. 40.

This study presents the latest population projections prepared by the Office of the Actuary. They underlie the long-range cost estimates for the Old-Age, Survivors, Disability & Hospital Insurance system, which were included in the 1978 reports of the OASDHI Boards of Trustees to the Congress. Detailed discussions are given of the mortality, fertility and migration assumptions. Alternative fertility assumptions are examined.

\* \* \* \*

*History of the Provisions of Old-Age Survivors, Disability, and Health Insurance 1935-1977*, Social Security Administration, Baltimore, Maryland, March 1978, pp. 15.

This booklet presents in tabular form a short history of the Social Security system from its beginning up through the 1977 amendments. Included are sections on covered employment, requirements for becoming insured, benefit calculations, beneficiary categories, and financing provisions. Due to the significant changes in the 1977 amendments, this is an extensive revision of previous similar booklets.

\* \* \* \*

Francisco R. Bayo, Stephen C. Goss, and Samuel S. Weissman, *Experience of Disabled-Worker Benefits Under OASDI, 1972-76*, Actuarial Study No. 75, Social Security Administration, Baltimore, Maryland, June 1978, pp. 41

This Study analyzes the 1972-76 incidence and termination experience of disabled-worker benefits under OASDI. Tables of disability incidence rates by age, sex, and year of entitlement are presented. Termination rates with a 5-year select period are shown for death and recovery separately by age and sex. Also presented is a brief analysis of past trends in disabled worker incidence and termination rates since the start of the OASDI program in 1956.

Copies of these Studies may be obtained free of charge from the Office of the Actuary, Social Security Administration, Baltimore, Maryland 21235.

**Death**

James H. Riggs

**ARCH****Issue 1978.1**

*On a Problem in Numerical Analysis*,  
Ralph Garfield

*A General Relation Between Insurances and Annuities*, Hans U. Gerber

*Actuarial Note: The Distribution Functions of Collective Risk Theory as Linear Compounds*, Ethan Stroh

*Application of Linear Algebra in Graduation and Other Disciplines of Actuarial Sciences*, Hans U. Gerber and Donald A. Jones

*A Summary of the Conclusions of a Survey of Post-ERISA Small Pension Plan Valuation Assumptions*, Arnold F. Shapiro

*A Step by Step Approach to Calculating Gross Premiums*, Claude Y. Paquin

*A New Class of Moving-Weighted-Average Graduation Formulas*, Peter A. Gerritson

With this issue, ARCH is becoming a twice yearly publication. The Society of Actuaries office in Chicago will handle publication and subscriptions. The Editors hope to produce an issue in June and December of each year and to keep the subscription price at \$10.00 annually.

Further inquiries regarding subscriptions should go to ARCH, Society of Actuaries, 208 South La Salle Street, Chicago, Illinois 60604. Any other inquiries and all contributions for publication should go to one of the co-editors, Arnold F. Shapiro, 509B Business Administration Building, The Pennsylvania State University, University Park, Pennsylvania 16802 or Courtland C. Smith, Cologne Life Reinsurance Company, P. O. Box 300, Stamford, Connecticut 06904. □

*"Tolstoy was never ambivalent. He was merely sure of different things at different times."*

*From a Book Review in the New York Times*  
Sometimes an opinion, sometimes a fact?