



# The Actuary

The Newsletter of the Society of Actuaries

VOLUME 12, No. 10

DECEMBER, 1978

## MOORHEAD TO BECOME NEXT HEAD OF *The Actuary*

E. J. Moorhead will become Editor of *The Actuary* in January, 1979. He succeeds A. C. Webster who has edited the newsletter since its initial issue of March, 1967.

During the 1978 Annual Meeting of the Society, the Board of Governors recognized Mr. Webster's long service by presenting him with a suitably inscribed silver tray. The Board of Governors also unanimously adopted a resolution which is reported in Myles Gray's summary of the Board's actions in Chicago.

When Secretary Gray read the resolution at the first General session in Chicago, the assembled members leaped to their feet to give Mr. Webster a standing ovation.

It is of interest to note that in 1966 Mr. Moorhead headed the Committee for a New Society Publication. Committee chairman Moorhead not only signed a report recommending founding of *The Actuary* but sought out Mr. Webster to ask him to become founding editor.

Mr. Moorhead is a past President of the Society of Actuaries and of the American Academy of Actuaries. I regard him as one of our more active, gifted and articulate members and consider it a high privilege to welcome him to the Editor's chair.

"The task of all of us in the Society is to fight against stultification, to help one another become broader in outlook and capability," said Mr. Moorhead in his presidential address to the Society. It seems to me that these words promise that *The Actuary* will remain an important part of the nervous system and conscience of The Society of Actuaries.

John C. Angle  
Director of Publications

## BOOK REVIEW

Daniel F. McGinn, *Joint Trust Pension Plans*, pp. xvi, 345. Richard D. Irwin, Inc., Homewood, Illinois, 60430.

Published for the Pension Research Council, Wharton School, University of Pennsylvania.

by Ronald L. Haneberg

Practitioners in the pension field have come to recognize that there are four broad sub-specialties: small plans (also known as "tax-shelters"), larger corporate plans, governmental plans, and Taft-Hartley jointly trustee programs. Knowledge and even expertise in one specialty is not necessarily transferable to the others.

Fortunately, a growing body of book-length literature has appeared in the first three areas, often contributed by employee benefit consultants or actuaries. This has not been the case in the Taft-Hartley jointly trustee field, so that Dan McGinn's *Joint Trust Pension Plans* must be viewed as something of a milestone.

The approach taken by Mr. McGinn is an ambitious one, since he hopes to provide the non-specialist (including the general public) "with practical insight into the operations of these Plans." Thus he examines the establishment and operation of these plans, eligibility requirements, benefit structure, plan administration, actuarial considerations, reporting and disclosure, and investment practices. The experienced pension actuary may be tempted to avoid these chapters, based on a feeling that prosaic subjects such as these are not worth reviewing one more time. While much of the material is familiar, there are problems unique to the Taft-Hartley plan field. For example, the appropriate recognition of past service is much more elusive in the Taft-Hartley field than in most corporate plans. And minimum funding problems can be more real in the Taft-

(Continued on page 3)

## SGLI AND VGLI

The Servicemen's Group Life Insurance Program was established by law in 1965. Originally this plan provided up to \$10,000 group life insurance to members on active duty in the uniformed services. The limit of insurance was gradually increased to the present \$20,000 and the coverage was made available to Reservists on certain conditions.

The Veterans' Group Life Insurance Program was established by law in 1974. This offered coverage for all Veterans on separation from active duty after the date of the act.

The offer of coverage was made retroactive over a limited period. The insurance provided is non-renewable 5-year term and there is a \$20,000 limit including insurance from both SGLI and VGLI.

Complete details as to these plans and their operation are in the annual report issued by the Veteran's Administration.

The tables on page 4 taken from the Twelfth Annual Report (June 1977), give the SGLI experience for the calendar years 1974-1976 for all service personnel on active duty and the limited 120-day Post-Separation experience for the same period.

There is not as yet any published VGLI Experience.

The annual report on the Servicemen's and Veterans Group Life Insurance Programs contains a detailed breakdown of Table 1 by rank and by class of service, Army, Navy, etc., and for each group records the accidental death rate as well as the regular death rate.

Copies of the Report may be obtained from the Department of Veterans Benefits, Veteran's Administration Center, Philadelphia, Pa. 19101.

(Continued on page 4)

# The Actuary

Editor . . . . . ANDREW C. WEBSTER Correspondence should be addressed:  
 Associate Editors . . . COLIN E. JACK *The Actuary*  
 FREDERIC SFLIZFR Mail Drop 20-7, 1740 Broadway  
 JONATHAN L. WOOLEY New York, N. Y. 10019  
 Tel: (212) 586-4000

Published monthly (except July and August) by the SOCIETY OF ACTUARIES,  
 208 S LaSalle St., Chicago, Illinois, 60604, E. Paul Barnhart, President, Myles M.  
 Gray, Secretary, and L. Blake Fewster, Treasurer.

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

## EDITORIAL

ADLAI STEVENSON is reported to have described the duties of an editor as separating the wheat from the chaff and throwing away the wheat. Perhaps this emphasis on the chaff is one reason why we have frequent difficulties in determining the actual month of issue. On the other hand, the editors ally themselves with Jack Point who said "O winnow all my folly and you'll find a grain or two of truth among the chaff."

If the Editor were running for political office, it would be justifiable from his point of view, however dull for the reader, to recount the history of our trials and tribulations over the past twelve years. The Editor, however, is a January child, and likes to look forward as well as backward, but he shies away from prophecy.

I would like, however, to include one item of history. Very few members are aware that it was only at the third try that the Board of Governors decided that the time had come to issue a new publication basically directed at the younger generation and designed as a medium for publishing current information and for communication. The successful third attempt had, I think, an important and perhaps convincing assist by the previous appearance of Ralph Edwards' personal newsletter, *The Actuarial Record*. Ralph well deserves some of the credit for the establishment of *The Actuary*.

It has been very pleasing to the editors to find nowadays references to *The Actuary* in other actuarial publications, not necessarily confined to those of the North American continent. The Editor has been most fortunate in his colleagues and hereby acknowledges his indebtedness to them. We have also been fortunate in the response of the members of the Society both as regards contributions and encouragement. There have been times when not enough contributions were available for publication and I am sure that the editors would continue to echo Oliver Twist's request and ask for more.

We have tried to make *The Actuary* an up-to-date report to our readers and to do so in a way which is not burdened down with solemn comment. The lighter touch may sometimes illumine the subject. Then *The Actuary* has given all the members of the Society from the President down to the newest student a chance to express themselves and to register a difference of opinion without fear or favor. We have tried to be fair and objective for ". . . we come not to offend but with good will."

I consider myself fortunate and privileged to have acted as Editor of *The Actuary*. For me this has been an enjoyable way of recognizing and at least partly repaying my debt to the Society and to the profession. So I take my leave as Editor and in the words of Christian:

"My sword I give to him that shall succeed me in my pilgrimage and my courage and skill to him that can get it."

A. C. Webster

## Peter W. Plumley

Most of the readers of *The Actuary* will know by now of the announcement by Peter Plumley of his resignation as Executive Director of the Society of Actuaries, effective January 31, 1979. Peter is planning to enter the consulting field as an independent management and actuarial consultant.

Peter has served the Society as its Executive Director for three and one-half years and much has been accomplished under his guidance during that time. Among the major accomplishments are the computerization of the Society's membership records, leading to increased efficiency and broadened service to the membership in many ways, along with significant expansion in the professional full-time staff of the Society.

We will miss Peter, but wish him every success as he launches into his new venture.

Paul Barnhart, President

## Federal Statistics Publications

### *Employee Retirement Systems of State and Local Governments*

1977 Census of Governments, Vol. 6, No. 1, \$2.30. Compares F.Y. 1976-77 with F.Y. 1971-72 in re numbers of state and local government employees in publicly administered retirement systems, assets, contributions, earnings, benefit payments.

### *Private Health Insurance Plans in 1976—An Evaluation*

Social Security Bulletin, Vol. 41, No. 9, \$1.35 per single copy. A detailed article prepared by Marjorie Smith Carroll, Office of Policy, Planning, and Research, Office of Financial and Actuarial Analysis, Health Care Financing Administration.

Copies of these publications may be obtained from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

### *Inpatient Utilization of Short-Stay Hospitals by Diagnosis: U.S. 1975*

Vital and Health Statistics, Series 13, No. 35, DHEW Publication No. (PHS) 78-1786. Single copies of this publication are available free of charge from NCHS, Room 1-57, Center Building, 3700 East-West Highway, Hyattsville, Maryland 20782, Attn: M. Murray.

**COMPETITION No.  $\Omega$** 

Thomas Fuller (1608-1661) said,

"Of soup and love,  
The first is best"

So far, our first Competition has been the best, inspiring more entries than any other and prompting Walter Klem to make known to the uninitiated the late Charles Spoerl's:

Thou art the fairest of all thy sex  
Let me be thy hero  
My love for thee is like  
 $\frac{1}{x}$  as  $x \rightarrow 0$

We don't mean to slight later efforts which included such gems as Grace Dillingham's classic Clerihew:

Henry Unruh  
Cannot undo  
What Alfred Guertin  
Made certain.

All the more precious for being an actuarial in-joke.

This will be the last Competition, at least from this Editor who plans to resign (again) when Mr. A. C. Webster leaves his own post as Editor of *The Actuary*.

So we'd like to make it the best, or rather to ask our readers to do so.

The idea for this Competition came to us as we read the following at the "Postcards and Artists" exhibit at the Cooper-Hewitt Museum:

The space of 4" x 6", like the tombstone, is a form that commands the writer to get sharp and waste nothing. And so the postcard poem and the epitaph have much in common (except tone) . . .

It's exactly tone that we're after as we dedicate this Competition to epitaphs, a dying art that actuaries, being seriously interested in mortality, ought to strive officiously to keep alive. To help raise the muse in you we offer the following specimens:

Epitaph for a waiter —  
Bye and bye  
God caught his eye.  
For an accountant —  
A genial chap  
He's crossed the GAAP  
For a baseball player —  
Grounded out

Naturally we'd like the perfect all purpose epitaph for an actuary, but we'll accept and try to give equal weight to entries suitable for interment of a broker, chess player, sanitation man, editor or other professional, asking only that you avoid personalities and, of course,

**Book Review**

(Continued from page 1)

Hartley jointly trustee arena than for most common corporate plans. These issues are well treated by Mr. McGinn.

Most pension practitioners who do not work in the jointly trustee field will find three chapters dealing with specific Taft-Hartley practices of greatest interest. One treats the issues involved with adoption of an existing plan by new groups, while the second considers the question of reciprocity—portability between and among entirely separate plans. The final chapter—"Critique: A Look Into The Future"—also is of interest, for Mr. McGinn here gives his views as to the future of jointly trustee plans. Some readers may disagree with some of his recommendations. For example, the solution to the contingent liability problem in the event of plan termination may not be its *repeal* (for that merely transfers risk to the employee) nor government (i.e., taxpayers) guarantees. The solution lies in more sound benefit design and funding practices by the affected joint boards.

The book also contains a number of specimen documents and forms including most specifically the Pension Trust Agreement — Declaration of Trust and a sample plan. One can only wonder how many of these will be seized upon by practitioners who have become instant experts by reading Mr. McGinn's book. Even for experienced professionals in the field, these forms and documents may prove a fruitful source for possible in-house changes in standardized approaches. For this alone, the book could be deemed valuable.

There are invariably difficulties with the first edition of any book. One problem for the technical reader is that the broad scope of the assignment Mr. McGinn has given himself and the approximately 215 pages of actual text allows little in-depth treatment of some key issues. For example, the advantages and disadvantages of the "shortfall" funding method receive less than a page of per-

insisting on good taste. So get sharp, give Fuller the lie and help us bury this column with the proper tone by sending in two or fewer epitaphs of your own creation. We'll send the winner a book of epitaphs if we can dig one up.

The usual rules will apply and entries should be sent to Competition Editor at the Office of *The Actuary*. C.E.

functory treatment (presumably because the subject matter is too complex for the lay audience). Yet this is an alternative that confronts or will confront virtually every Taft-Hartley plan. There is also, at most, skeletal treatment of such pressing issues (for some plans) as coverage of self-employed union members and the use of union membership to determine past service. The neophyte may not recognize that both of these smack of illegality.

The extremely important and complex topic of the withdrawal of contributing employers is covered in only three pages. Unfortunately, this broad brush treatment leads to some apparent errors. The statute indicates that all withdrawing employers (not just substantial ones) may be liable if a plan terminates within five years after an employer's withdrawal. Similarly, the July 1, 1979, date cited by Mr. McGinn as the potentially "dangerous" withdrawal date appears erroneous. The five year "recapture" could apply to any withdrawals even though mandatory coverage for Taft-Hartley plans is scheduled to begin only as of July 1, 1979. In light of the proposals by PBGC, statutory change may result in the entire problem being significantly changed.

Two other troublesome items could be corrected in later editions. It would be extremely helpful if there were greater specificity in the text. Including an example of an industry or plan which has followed a particular approach being discussed would add greater practical authority. Even more importantly, where Mr. McGinn indicates that statutory law or judicial decision forces a certain approach, the statute or case should be included in a footnote. At present there are more footnotes to other sections of the book than to outside sources.

Finally, a relatively quick reading of the book reveals a number of apparent contradictions, cryptic statements, or minor errors. Perhaps the most obvious is on page 87 where, as part of an otherwise excellent analysis of the Social Security Adjustment Option, Mr. McGinn observes that "If an employee selects age 65 (as the date of adjustment), the plan's benefits both before and after age 65 will be lower than if age 62 is selected."

This confusing statement does not detract from an otherwise sound and valuable text. Perhaps errors of this sort serve primarily to allow reviewers to cluck in sorrow. □

## SGLI and VGLI

(Continued from page 1)

**TABLE 1**  
**Experience of Service Personnel on Active Duty<sup>1</sup>**  
**For Calendar Years 1974-1976**  
**(All Branches of Service Combined)**

Age Group	No. of Deaths	Annual Death Rate per 1000	
		Total	Accidental
17-19	1,593	1.44	1.33
20-24	3,266	1.31	1.13
25-29	1,163	1.00	.88
30-34	662	.92	.69
35-39	759	1.20	.64
40-44	507	1.73	.60
45-49	230	2.32	.53
50 & Over	101	3.10	.64
Total			
All Ages	8,281	1.27	1.01

<sup>1</sup> Excludes all Viet Nam and post-separation exposures and deaths.

**TABLE 2**  
**120-Day Post-Separation Experience<sup>1</sup>**  
**For Calendar Years 1974-1976**

Calendar Year	Number of Deaths	Annual Death Rate per 1,000
1974	575	3.00
1975	615	3.46
1976	513	2.93
1974-1976	1,703	3.13

<sup>1</sup> The SGLI policy provides for a continuation of coverage for 120 days following separation from service without premium payment.

The 120-day post-separation annual death rates are more than double that of non-combat active duty because of the inclusion of many physically impaired lives most of which are service-disabled.

## LETTERS

## Executive Director

Sir:

The Executive Director of the Society having resigned, it falls to the Society's Committee on Administration and Finance to seek his replacement. A search will be conducted by the firm of Howe-Corey, Consulting Group Ltd., O'Hare Plaza, 5725 East River Road, Chicago, Illinois 60631. Anyone interested in a job description or other details may address his inquiry to Mr. Michael J. Corey of that firm.

It is to be noted *en passant* that, by Board action in October, being an actuary is no longer a necessary condition.

The job description adopted by the Society's Executive Committee is the

official document outlining the job and its requirements, but it is hard to resist quoting an advertisement drafted by our immediate past President Bill Halvorson:

*"WANTED* An Executive Director for a Professional Society in Chicago. 6,500 Members. Need an effective committees of volunteers, so staff of 25. Society has no membership problems and has over 50 active committees of volunteers so needs a diplomatic coordinator. Apply only if you have an empathetic and friendly personality and are looking for an opportunity to grow with the Society. No lobbying, no magazine. Salary open.

*Aradian Gill*  
 Chairman

*Committee on Administration  
 and Finance*

\* \* \* \*

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

Seminars for Parts 2, 3, 4, 5, 7 and 9 of the Society Examinations and Part 4 of the Casualty Actuarial Society Examinations will be held between April 9 and May 4, 1979.

Complete information may be obtained from:  
 PROFESSOR ROBERT W. BATTEN

Georgia State University  
 Department of Insurance  
 University Plaza  
 Atlanta, Georgia 30303  
 Telephone (404) 658-2725

## Actuarial Meetings

Feb. 8, Baltimore Actuaries Club  
 Feb. 18, Seattle Actuarial Club  
 Feb. 20, Chicago Actuarial Club  
 Feb. 22, Atlanta Actuarial Club  
 Mar. 8, Baltimore Actuaries Club  
 Mar. 8 Kansas City Actuaries Club  
 Mar. 17, Seattle Actuarial Club  
 Mar. 20, Chicago Actuarial Club

## Format

Sir:

As an actuary no longer resident in the United States, I find your publication most helpful in keeping in touch with U.S. developments and, therefore, read *The Actuary* from cover to cover. Unfortunately, however, it is not quite so easy as that because of the way the publication is laid out. For example, in your September 1978 edition I find that considerable turning of pages is necessary. I start with E&E DEVELOPMENTS on page 1 and turn to page 6 for the continuation; then back to BOOK REVIEW on page 1 and turn to page 8 for continuation; then back to PENSIONS IN CANADA on page 1 again followed by page 6, then back to page 2 for the EDITORIAL AND LETTERS then on to pages 4 and 5 and back to page 3 for MANHART and so on. Assuming that it is not designed to test the reader's ingenuity in devising an order of reading which minimizes page-turning and also assuming that some readers are like me in being unable to follow the theme of three different articles at once. Would it not be possible start the first article on page 1 and go on until it is finished and then start the second article and so on? Then I could read from page 1 to page 8 in that order.

A. Ford