The Actuary
The Newsletter of the Society of Actuaries
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REPORT OF THE 1979 ADVISORY COUNCIL ON SOCIAL SECURITY

reviewed by Charles A. Siegfried

This was the fifth Advisory Council since such councils were established by law in 1957. Current law provides that "the appointed members shall, to the extent possible, represent organizations of employers and employees in equal numbers, and represent self-employed persons." Because one's view of the Council's findings is affected by one's view of its members' backgrounds and interests, it is important to know who these members were, namely:

Henry J. Aaron (Chairman), Senior Fellow, Brookings Institution
Gardner Ackley, Professor of Political Economy, University of Michigan
Robert M. Ball, Senior Scholar, National Academy of Sciences
Eveline M. Burns, Professor Emeritus of Social Work, Columbia University
Grace Montanez Davis, Deputy Mayor, City of Los Angeles
Mary C. Falvey, Sr. Vice Pres. & Director, Blyth Eastman Dillon & Co.
Melvin A. Glasser, Director, Social Security Dept., United Auto Workers
Velma M. Hill, Vice President, American Federation of Teachers
Morton D. Miller, F.S.A., Vice Chmn. of the Board, Equitable Life Assurance Soc.
Joseph A. Pechman, Director, Economic Studies Program, Brookings Institution
*Jane C. Pfeiffer, former Vice Pres., Communications, IBM.
John W. Porter, President, Eastern Michigan University
*Stanford G. Ross, Attorney, Caplin and Drysdale
Bert Seidman, Director, Dept. of Social Security, AFL-CIO
J. W. Van Gorkom, Chmn. of the Board, Trans Union Corporation

The Council's three major recommendations were:

(1) To change the method by which medicare is financed, from payroll taxes to specifically designated parts of the personal and corporation income taxes, and to alter the schedule of payroll taxes so that old-age, survivors', and disability insurance will have sufficient revenues to pay for benefits for the next 75 years.

(2) To alter the social security benefit formula so that workers with a long history of low wages will receive a benefit sufficient to keep their incomes above official poverty thresholds and so that high-wage workers will be assured a benefit that provides a more generous return on taxes they pay than they receive under current law.

(3) To begin to update the way in which women are treated under social security to take account of the massive increase in female labor force participation and in divorce since the present structure of social security was developed in 1935 and 1939.

Although not surprisingly there are many qualifying and dissenting statements, the Council was "unanimous in one overreaching finding: The Social Security System is the government's most successful social program. It provides basic protection that American workers can supplement with their own savings and private pensions, and it will continue (to do so) for as far ahead as anyone can see. After reviewing the evidence, the Council is unanimously convinced that all current and future Social Security beneficiaries can count on receiving all the benefits to which they are entitled."

*These two resigned, Mr. Ross to become Commissioner of Social Security.

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WHAT IS THE SOCIETY DOING FOR YOU?

A Report from the Task Force on Special Interests

by R. B. Leckie, President-Elect

The Task Force on Special Interests has been active for a year. You have had glimpses of our thinking through last summer's questionnaire, reported in *The Actuary*, December 1979. Now you may be asking what it's all about and what its significance is for you.

I can summarize the Task Force's effort by answering two questions:

(1) What can you, the member, do to enhance your continuing professional development and competence?

(2) What are you entitled to expect from Society programs, publications, research and services, to this same end?

Study of these questions led the Task Force to its concept of Sections and Divisions. Sections can be visualized as a "bottom-up" (i.e., coming from members' interest) need for bringing together actuaries who have a common functional interest. Divisions would be a "top-down" restructuring of the Society's governance so as to recognize major internal groupings such as pensions and insurance.

Your comments in the questionnaires showed clearly that most of you don't want the Society to do anything divisive, either for the profession or the Society. Further, you don't want to lose the flexibility you now have to benefit from the Society's broad services. No compartmentalization. And certainly no specialty qualification. Yet many of you desire more services within your special interests than are now provided.

Task Force Recommendations

The Task Force has made two major recommendations to the Board of Governors:

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The Actuary

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EDITORIAL

INCUBATION

IN authorizing its National Commission on Social Security, whose final report is due in January 1981, the U.S. Congress imposed precise requirements designed to keep the Commission members' shoulders to the wheel.

Meetings had to be held in every calendar month—no hibernation permitted. Three reports were demanded: the first within four months reciting how the Commission planned to proceed; the second within one year explaining how they were getting along; the final report no later than the end of their second year.

Ought our Board of Governors to impose similar discipline on Society Special Committees, specially those entrusted with matters upon whose prompt resolution the reputation of our profession hinges? We aren't sure about the requirement for a meeting every calendar month (this may sometimes result in sparse attendance), but setting dates by which the committee must either say something worthwhile or turn the job over to somebody else seems worth trying.

Alternatively, the typical committee sorely needs a gadfly among its members (preferably its chairman) who makes it his or her business to keep asking when decisions on the thorny questions will be reached. That same member can render additional signal service by ruthlessly blue-pencilling drafts of the report that aim to tell the world how hard the committee worked.

Years ago one of the Society's great humorists, Morton A. Laird (1911-1973), composed a ditty relevant to these questions. It goes to the tune of W. S. Gilbert's "Titwillow", and was kindly furnished for this space by W. James Preble, F.S.A.:

Your thought is a good one, we'll study it well,
In Committee, Committee, Committee.
And on every aspect will thoughtfully dwell,
In Committee, Committee, Committee.
If you wistfully ask why you've had no reply
To the question you raised back in early July,
In due course you will get an evasive reply,
From Committee, Committee, Committee.

E.J.M.

LETTERS

FSA — ASA = 0

Sir:

Gerald Fryer (January issue) correctly presumes that the shortest time between ASA and FSA is zero. This feat was recently done by Walter Siegel who passed Part 5 last.

Alfred Raws III

* * * *

Another First Lady

Sir:

I could not help but be reminded of another notable "first", namely the first mother-daughter combination. This rarity occurred way back in 1949 when Marjorie Van Eenam Butcher, A.S.A. followed in the footsteps of her mother Weltha Van Eenam who was admitted in 1924.

Benjamin J. Bock

* * * *

Flesch Viewed By A Regulator

Sir:

It is sad that some criticisms of the Flesch requirement have been pejorative. A vast majority of policyholders don't read their policy until they think they have a claim, and there are grounds for believing that its hard to understand, and legal language has discouraged them from doing so. The legislature had to provide an arbitrary test as a minimum readability standard.

Nothing should prevent insurance companies from experimenting with different ideas. A multiple-choice questionnaire testing the buyer's understanding of the policy might be sent with it. Just as banks give token prizes to those who make certain deposits, token prizes might be offered to policyholders who respond, and to those who respond accurately. The lapse and claim experience might be studied according to non-respondents, respondents and accurate respondents; each agent's sales might be similarly analyzed.

The point is that insurance companies can do a lot to improve policy understandability. The Flesch requirement should spur such experimentation.

Dinkar Koppikar

* * * *

(Continued on page 4)

CPI INDEXING OF SOCIAL SECURITY BENEFITS

by Milton P. Glanz

Since the aged and the working population have different consumption patterns, it has been suggested that Social Security retirement benefits should be adjusted according to a special cost-of-living index other than the familiar CPI. The merit of this suggestion depends on whether these two indices may be expected to move at substantially different paces.

The Bureau of Labor Statistics doesn't prepare a special price index for the retired but does make a yearly estimate of a budget for a retired couple of moderate means. One important element therein that is treated differently from the general CPI is housing; rental costs are taken at the contracted rent, and it is assumed that homeowners make no mortgage payments. Here is a historical comparison.

COMPARISON OF CPI WITH RETIRED COUPLES BUDGET

			Average Annual Change from given year to 1978	
Year	*General CPI*	*Couple's Budget*	*General CPI*	*Couple's Budget*
1971	121.3	$4,776	7.0%	7.3%
1972	125.5	4,969	7.7	7.9
1973	133.1	5,414	8.0	7.7
1974	147.7	6,041	7.2	6.8
1975	161.2	6,465	6.6	6.7
1976	170.5	6,738	7.0	7.9
1977	181.5	7,198	7.7	9.0
1978	195.4	7,846	—	—

Cost of living in 1978 increased 7.7% over 1977 according to the general CPI, but 9.0% in the couple's budget. This is a significant difference, but it tends to narrow as the measurement period lengthens. Over the whole 1971-78 period the average annual differential was only 0.3%, i.e., 7.0% versus 7.3%.

These figures suggest that developing and maintaining a special index is not justifiable, but some may say that since we have a measure of living costs of retired people there is no excuse for not using it. Our own preference is to stick to the general CPI while keeping an eye on the budget figures in case the rates of change begin to diverge.

Geoffrey Calvert has pointed out (January issue, page 1) that the CPI is an index for almost a fixed market basket, not truly reflecting the changing cost of a fixed living standard. His excellent analysis identifies several important divergences between CPI and a true cost of living, and correctly concludes that elimination or reduction of these divergences would generally lower the CPI increases, at least under recent conditions.

My belief is that increases in the cost of living for the elderly will generally not exceed increases in the present CPI. This is partly because I agree with Mr. Calvert that a true index would show lower increases than does CPI; many of the divergences apply to the retired couple's budget as well as to CPI. Also because I expect better control of increases in medical and hospital expenses that are such a large component of the retired couple's budget. □

CORRECTION TO "FIRST LADIES" (January issue)

The line, Sister of a Fellow, should have been two lines, viz.

Sister of a Female Fellow	1928	Marian R. Albright
Sister of a Male Fellow	1951	Josephine W. Beers

Thanks to James P. Larkin and Fred H. Edwards who pointed out that Marian Albright's sister, Lucile M. Albright, had achieved Fellowship two years earlier (1926).

BOOK REVIEW

Actuarial Phases of Marketing Operations — Individual Life and Health, Society of Actuaries Study Note 69-201-79. Published jointly by the Society and Life Insurance Marketing and Research Association. Edited by Elizabeth Tovian. $10.00, obtainable from LIMRA.

by A. David Pelletier

"Nowhere in the range of actuaries' responsibilities does the need for sound personal judgement arise to a greater extent than in their contribution to marketing operations." This rather sweeping opening statement of the Study Note may not bring universal agreement, but there's no question that this compilation does a sound job in helping prepare the actuarial student for these responsibilities.

This is a retitled revision of the 25-year-old Study Note, *Actuarial Phases of Agency Problems,* first written in 1954 by Daton Gilbert and Milton J. Goldberg, and later twice revised by E. J. Moorhead. Elizabeth Tovian of LIMRA has coordinated this latest expansion and revision.

The Note contains 18 chapters and 10 appendices, covering marketing operations and objectives, compensation and financing of field personnel, marketing expenses and Section 213 limitations, health insurance marketing, and such diverse topics as market research, products, competition, quality business, training, promotion, and public relations.

No doubt partly because of LIMRA's involvement, the Market Research chapter has been improved and expanded. So has the Products chapter, reflecting the diversity of today's products; Section 79 products, cost-of-living policies, deposit term, adjustable life, and "new money" flexible-payment annuities. The good list of criteria for new product development that opens this chapter covers points that may seem obvious but often are forgotten.

The Competition chapter now explores policy cost comparison methods and disclosures. Elsewhere, welcome additions to the material on field compensation and costs are a brief chapter on compensation of combination company field forces, and an expanded section on field office operating costs.

Appraisal of Changes from Previous Editions

This revision incorporates several positive features:

(Continued on page 8)

Letters

(Continued from page 2)

Whither Actuarial Courses?

Sir:

New masters degree programs in actuarial science have just been announced at the University of Connecticut, the University of Illinois and Ohio State University. Also, the List of U.S. and Canadian Schools offering Actuarial Science Courses continues to lengthen.

Several questions about this increase in actuarial programs come to mind. Will there be sufficient demand for all the qualified graduates of all these programs? Is this the beginning of overkill by graduate schools entering an era of fierce competition for students? Will borderline students be encouraged into a field whose demands exceed their abilities? Will this lead to such a decline in established programs that their important academic-based actuarial research contributions will lessen or terminate? Will the actuarial profession be drawn into accrediting such programs to help prospective students discriminate among them?

The short-run and long-run consequences of the growth in such programs should be considered carefully by the profession.

John E. Morrill

ARTICLE IX OF SOCIETY BY-LAWS AMENDED

Members have received from President Vogel a letter announcing a dues increase. The text of the amendment to Article IX of our By-Laws adopted by the Board of Governors on January 24, 1980 is as follows (material deleted in parentheses, added underscored):

Section 1. Dues. Except as hereinafter provided, each Fellow or Associate shall pay such dues for each calendar year as may be established by the Board of Governors. If a person is enrolled as a Fellow or Associate on or after October 1st in a calendar year, his first dues in such class of membership shall be payable for the next succeeding calendar year. Dues for a calendar year shall be payable on (June 1st) <u>February 1st</u> or on the date of enrollment as a Fellow or Associate, if such date is after (June 1st) <u>February 1st</u> and before October 1st.

Myles M. Gray, Secretary

Advisory Council Report

(Continued from page 1)

When one reflects on the program's scope and complexity, the problems that beset it, and the diversity of views to be reconciled, one is impressed with such broad scale unanimous reassurance but one wonders whether some more guarded expression might have been more appropriate.

"This Council has operated under the self-imposed restraint of limiting our recommendations to those that can be carried out with little or no cost." This drew qualifying comments from a number of members who favor changes and expansions that would add to the system's costs.

Prevented by space limits from even mentioning all the important topics in this Report and from commenting adequately on the chief recommendations, this reviewer can only try to show that actuaries will find the report well worth reading. It demonstrates in many ways the continuing need for actuarial expertise in the program's operation and development, and the opportunities for significant contributions by individual actuaries. There is much unfinished business to be tackled.

Medicare. The Council, with little time to give to Medicare, recommended that the mandate of future advisory councils be limited to the cash benefits program and that a separate council be appointed periodically to review Medicare and Medicaid. This proposal has disturbing implications. That Medicare benefits are in the form of services makes them no less real than cash benefits; surely all must be considered together in weighing the consequences of their total costs. It is hard to see how basic analyses and decision making are improved by having separate bodies.

Financing. "The Council unanimously finds that the time has come to finance some part of Social Security with non-payroll tax revenues. The majority recommends that the hospital insurance program be financed entirely through earmarked portions of the personal and corporation income taxes and, beginning in 1980, that part of the current hospital insurance payroll tax be diverted to the cash benefits program to guarantee financial soundness, and that the balance of the hospital insurance payroll tax be repealed." This recommendation did not stem from the Council's proposals for changes in the benefit formula. While the "Council recommends a new benefit formula that will increase benefits for long term low wage workers and for high wage workers becoming entitled in the future" and that "the replacement rates that are provided for workers with low, average and high relative wages by its revised formula be maintained in future years", these changes apparently aren't expected to increase future costs significantly. How or why this is possible is not entirely clear.

How to finance the whole program is the most crucial current issue. Though the Council's recommendations have many antecedents they will be viewed with apprehension by those of us who worry about further expansion of the program. The present financing system has effectively focussed attention on vital questions. More comment about possible adverse consequences of the recommended changes upon the public's ability to understand costs and to perceive benefits suitably would have been welcome.

Related to this is a recommendation of a Council majority "that half of Social Security benefits be included in taxable income for Federal income taxes." While there was some strong dissent, both sides seem to have fixed their attention on extreme cases and on theoretical considerations. This reviewer wishes that more consideration had been given to intermediate cases, particularly those of persons without supplementary pensions and with modest personal savings. One fears that taxation of benefits weakens the floor-of-protection concept and works against private incentive to build on that floor.

Women's Benefits. "The Council concluded early that a thorough examination of the treatment of women under Social Security was among its most important tasks . . . The majority finds that some system for the sharing of earnings is the most promising approach." However, "because of the complexity and far-reaching implications of the changes that would occur under earnings sharing, and because some problems remain in all specific plans the Council has seen, the majority is not prepared to endorse a full-scale earnings sharing plan at this time . . . The Council believes that such a fundamental change needs to be carefully considered and thoroughly debated by citizens and interest groups throughout the country. Therefore, we recommend that the Congress and all other interest groups carefully examine the concept of earnings sharing and in particular, the illustrative earnings sharing plan developed for the Council."

This was the first Council to hold hearings around the country so individuals and groups could contribute their views. Evidently, and understandably, the Council perceives a need for more such discussion of women's benefits. Yet, one is struck by the formidable obstacles to sound thinking unless all major competing issues are kept in perspective. Some otherwise reasonable changes in women's benefits would raise costs considerably; hence benefits must be weighed against costs and other alternatives examined, an awesome challenge. Until national consensus emerges it seems unwise to make any change as fundamental as the proposed change in financing.

To avoid completely neglecting other matters that actuaries need to be aware of, we resort now to a tabular format:

Subject	*Nature of Proposal*
Disability	Liberalizes Definition of disability for older workers. Offers ideas for encouraging quick return to work. Reduces waiting period from five to three months.
Universal Coverage	Extends coverage (a) to Federal employees, to be compulsory for just the newly hired or by transfer of credit for all, and (b) obligatory to new employees of state and local governments and non-profit bodies.
Retirement Policy	Urges (narrowly) considering increase in normal retirement age after turn of century. Calls for halt to easing the retirement test.
"Double-Decker" Flat Grants	Rejects these (but discussion is worth thinking about).
Automatic CPI Increase	Changes frequency from yearly to twice yearly.
Minimum Benefit	Phases it out.
Needs of Minorities	Calls for more awareness and sensitivity.

An important appended report by the Council's Panel of Consultants (three actuaries and two economists) is to be reviewed separately in *The Actuary.*

The Report of this Advisory Council reflects an impressive quantity of good thinking, hard work and lucid expression. Yet, even more thinking and weighing of choices out of all this diversity of opinion seems needed before wise legislation can emerge. The Advisory Council system has again proved itself capable of bringing together people with a broad range of insights and interests and supporting them with rich resources of experienced staff and consultants. This process should continue, and ways to make it even more fruitful should be sought. Actuaries will do well to examine this report and to make it our business to discuss these issues among ourselves, and to help others to arrive at the best of many far from easy choices. □

FELLOWS VOTE TO AMEND CONSTITUTION

By a margin of 2,083 in favor vs. 112 opposed, the Fellows approved the proposed revision of Article VII of the Constitution, *Resignation and Discipline of Members.*

The requirements of Article IX having been met, these amendments of which Fellows were notified on December 17, 1979, became effective on February 5, 1980.

Myles M. Gray, Secretary

Actuarial Meetings

Mar. 13, Baltimore Actuaries Club

Mar. 18, Chicago Actuarial Club

Mar. 20, Actuarial Club of Indiana

April 9, Chicago Actuarial Club

April 10, Baltimore Actuaries Club

April 22, Actuaries Club of Philadelphia □

Part Three Retrospectively

by P.L.H.

Somewhere there's a file box with my yellowed study aids,
And somewhere towards the bottom is Part Three.
In place of all the formulas I use a new H-P
But even so the memories don't fade . . .

Of those big blue books with the bindings shot,
Gone to students' heaven like as not,
Where ghosts of trainees curse their ways
Looking towards that three dollar raise.

I happily remember those times when q's had a's;
We'd carry fourteen digits at the least.
But as a former student I now feel very pleased
With half my signs right half my days.

Ah those big blue books of eternal fact
With their roundoff errors still intact
In the green steel bookcase in the sky.
We all will join them by and by.

□

SUBSCRIPTIONS

The 500 (non-member) subscribers to *The Actuary* have received renewal bills for 1980 with our February issue. We urge prompt remittance so that there'll be no break in the issues you receive.

Society members may wish to tell students, business librarians, and others interested in keeping in touch with what actuaries are saying and doing, that a subscription costs only $4.50 a year ($3.50 for actuarial students).

Deaths

Waid J. Davidson, Sr., A.S.A. 1927
Norman N. Strom, F.S.A. 1954
Alexander M. Sweeton, A.S.A. 1949

Contributions to the Actuarial Education & Research Fund, 208 *S. LaSalle St., Chicago,* 60604, *in memory of any deceased Society member are acknowledged to the donor and to the member's family.* □

AN ECONOMIC LAW OF LIFE

by Geoffrey N. Calvert

It is now almost 120 years since Makeham extended Gompertz's efforts to find a simple mathematical law which would reflect the mortality experience of a group of lives and also simplify the calculation of monetary values. Since 1860, the resulting Makeham's Law ($\mu_x = A + Bc^x$) and its derivatives have stood the test of time very well, while four generations of actuarial students have tended to gather the impression that there may in fact be some mathematical law at work which in some way determines the rate of increase in mortality on a basis directly related to age.

A radically different approach was recently suggested from an unexpected quarter. In a little-known but highly significant 1976 study, Kohler and Alcock of the Canadian Peace Research Institute have proposed an "Economic Law of Life."[1] Drawing from 1965 statistics for 136 countries, they show a remarkable correlation between gross national income per capita, and expectation of life. This is illustrated in the accompanying chart.

Until a certain level of affluence is reached, similar to that already attained 15 years ago in the developed countries, life expectancy responds sensitively to improvements in economic conditions. After that point is reached, there is little more in the way of longevity to be gained from further increases in prosperity.

[1] Journal of Peace Research, Vol. XIII/1976 Canadian Peace Research Institute, Oakville, Ontario

Pursuing their research both through *time periods* and into per capita *energy* consumption by country, the authors concluded that among poorer nations:

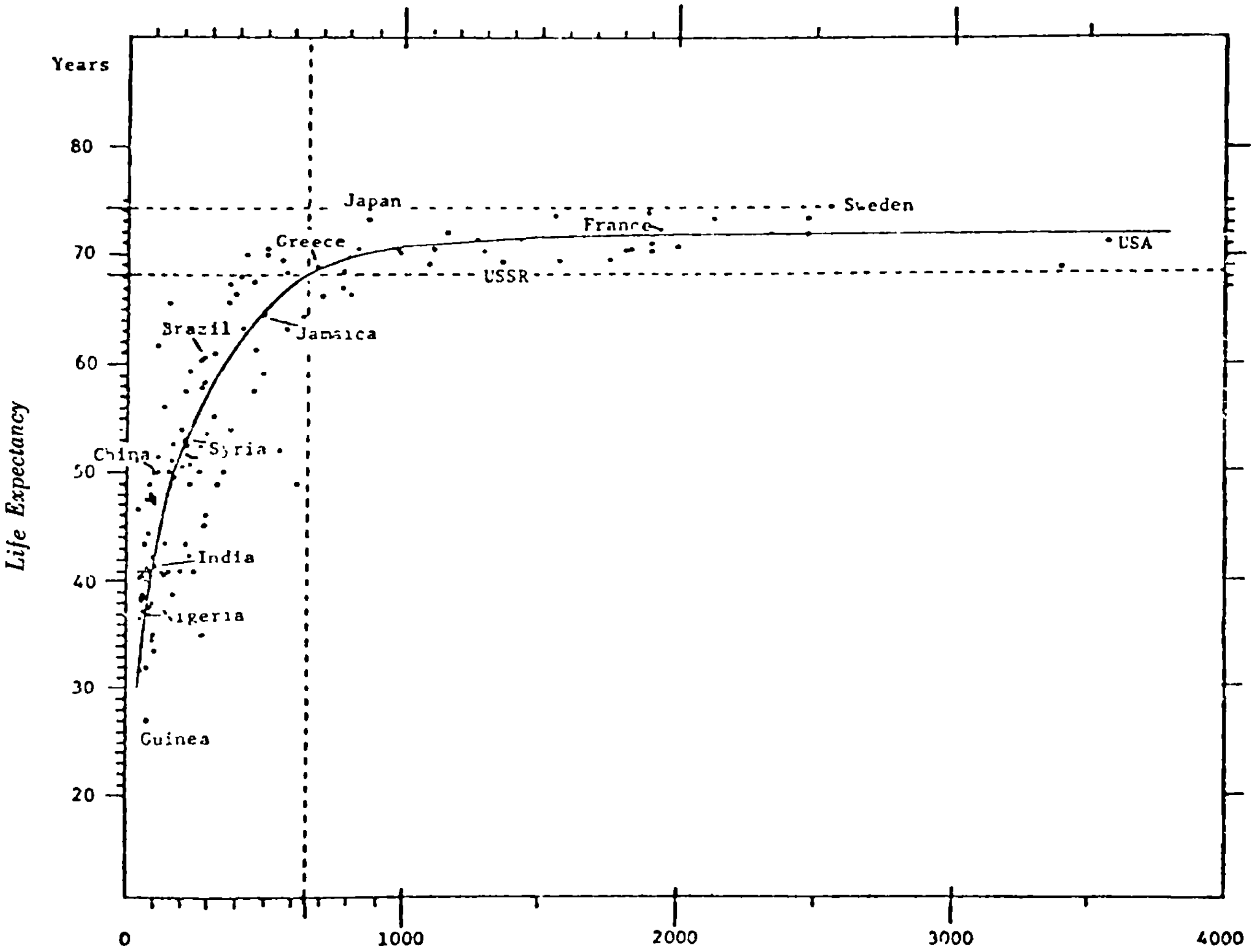
- Every increase of 7.7% in GNP per capita will increase average life expectancy by one year;
- Every increase of 7.2% in energy consumption per capita will increase average life expectancy by one year.

If we pursue this approach further, many possibilities suggest themselves. Just to start the discussion, here are some stimulating examples:

(a) A significant change in the level of affluence (or energy availability) within a relatively short time (such as 10 years) would tend to twist the curve of mortality upward or downward, re-

(Continued on page 7)

Year: 1965 Linear Scale



Gross National Product Per Capita
(in 1965 U.S. dollars)

Sources, for G/P: Taylor and Hudson, World Handbook, (1972), *pp.* 316-320, *Table* 5.5 *for E: U.N., Demographic Yearbook* 1973, *pp.* 94-100, *Table* 3. *E at birth. Male-female average.*

Economic Law of Life

(*Continued from page 6*)

gardless of Makeham's hypothesis.

(b) If we were to stratify a population into classes according to relative present affluence or poverty, we would come up with a whole family of mortality curves and their derivatives. (This appears to be consistent with present known facts about life expectancies among minority groups).

(c) Weighty political arguments appear to be latent in this approach, justifying our transfer payment systems aimed to eliminate poverty.

(d) The same argument could conceivably be carried into the international sphere. For example, by restricting energy supplies and bringing on oil-induced economic depression in third world countries, the OPEC nations may have much to answer for in terms of human life.

(e) In so far as a reduction in family size raises the economic prosperity of today's potential parents, it will also lengthen their lives and hence raise the value of their expected Social Security benefits. Since the Social Security system is not funded, these enlarged benefits must be provided by the (shrunken) population of the next generation of workers, not only forcing up taxes even more than is presently being projected, but also lowering the incomes and hence tending to shorten the lives of our successors! (This argument may be muted a bit if they are still comfortably within the levels of income where changes don't have much effect).

(f) The work of actuaries in designing and servicing life insurance, pension plans, and social security systems of various kinds, results not only in providing *economic* assistance when it is needed, but also in providing life *itself!*

The connection between funding pension promises, the provision of vitally needed capital formation, improvements in productivity, the conquest of inflation, and hence the actual discharge of the pension promise, has only recently begun to be recognized. In this proposed "economic law of life", we have something else to weave into the tapestry of our discussions. In this decade, actuarial science and economic realities seem to be drawing much closer together, and indeed are becoming closely interwoven. □

ACTUCROSTICS

As a gift from our Competition Editor, two more Actucrostics accompany this issue. The reception our readers gave to the first two of these easily justifies saying that they are brought back by popular demand. But Shelley was right in his "with some pain is fraught" observation; we can't help wishing that articles bearing on weighty professional problems would make as obvious an impression.

Solutions will be printed in our April issue.

NONAGENARIAN FELLOWS

by E. J. Moorhead

The death of John S. Thompson shortly after his 95th birthday, reported in our January issue, caused us to wonder whether he was the oldest Fellow whose death is recorded in the *Transactions*. We were curious also to see how many Fellows through the years had passed the age 96 milestone made so significant by having been chosen as the terminal age of the American Experience Table.

It appears that the oldest deceased Fellow was Solomon A. Joffe, born May 11, 1868, died November 8, 1964, three days before age 96½. His case is of rather special interest because he wrote two papers for the *Transactions* dealing with the origin and construction of the famous mortality table whose end-point he was destined to reach.

William Oscar Morris (died April 1, 1978) may have lived slightly longer than Mr. Joffe, but Mr. Morris's obituary does not give his exact birth date in 1881. No Fellows except those two have died beyond age 96.

The oldest Canadian Fellow at death seems to have been Coll Claude Sinclair who died October 21, 1975 at the age of 93. □

What Makes Robert J. Myers Run

"In retrospect, Myers appears as a truly singular figure. No other chief actuary (of the Social Security Administration) approached him in combining technical talent with a taste for the political milieu."

Martha Derthick, *Policymaking for Social Security,* p . 395 fn.

This book will be reviewed in an early issue.

Social Security

Bruce Schobel and Sam Weissman, *Termination Experience of Disabled-Child Benefits Under the Old-Age, Survivors, and Disability Insurance (OASDI) Program.* Actuarial Note No. 98, Social Security Administration, Baltimore, Maryland, November 1979, pp. 13.

The Social Security Act, as amended in 1956 and 1958, provides for monthly benefits to disabled children of retired, disabled, and deceased insured workers. These benefits are currently payable to children age 18 and over who become disabled before age 22, but not necessarily after passage of the applicable law. Actuarial Note 46 (Sepember 1968) presented a study of disabled-child benefit termination rates based on experience in 1962-65. This note presents data on similar experience in 1975-76 and compares the termination rates experienced in the two periods.

History of the Provisions of Old-Age, Survivors, Disability, and Health Insurance 1935-1979. Social Security Administration, Baltimore, MD, January 1980, pp. 15.

This booklet presents in tabular form a short history of the system from its beginning through the changes made in 1979. Included are sections on covered employment, requirements for becoming insured, benefit calculations, beneficiary categories, and financing provisions. Also included are average annual earnings 1951-1978 and the benefit formula bendpoints and other factors derived therefrom.

Harry J. Kingerski, *Projecting OASDI Long-Range Program Cost As A Percentage of Gross National Product.* Actuarial Note No. 99, Social Security Administration, Baltimore, MD, January 1980, pp. 8.

Projected OASDI expenditures are usually expressed as percentages of taxable payroll. This Note presents them as percentages of Gross National Product and of taxable payroll, compares the two, and gives a method for converting from the one to the other. Factors in the conversion and implications of this new measure are discussed.

Copies of these items may be obtained free from the Office of the Actuary, Social Security Administration, Baltimore, MD 21235. □

Book Review

(*Continued from page* 3)

1. It brings the material up to date. Much has happened in the insurance marketplace since the last revision in 1966. For example, the list of new products developed to meet changing needs was becoming hopelessly outdated.

2. There's a noticeable move to get at underlying principles and their rationale. In most chapters, a broad perspective of the topic introduces the detailed instruction.

3. The style has generally become lighter and easier to read. The chapter on New York's Section 213, for example, while hardly the stuff from which best sellers are made, is far less dry than the subject suggests.

4. References to outside works are sprinkled through the text, and a fuller biography is provided—perhaps partly because there are now more good outside papers to list. Sources for further reading are given for most subjects.

A few areas where further improvements might have been made are these:

(a) In a note covering so broad a range and one that has been revised so often, some choppiness is inevitable. Reordering the chapters from their current scattergun format would aid the reader's comprehension.

(b) Regrettably, in the commendable move towards emphasizing basic principles a few shallower principles have been dropped. For example, Chapter VII lists nine principles of field compensation. Two in the former list, "acceptable to the personnel affected" and "acceptable cost", have been displaced by broader ones such as "must support a clearly articulated strategy and must in turn be integrated with training programs related to that strategy." While cost may fall within a "clearly articulated strategy," it surely warrants separate listing.

(c) Decisions on what stays in the text and what's relegated to the appendices are sometimes debatable. Appendix V, for example, an excellent, concise, summary of factors affecting persistency, deserves a place in the main text. On the other hand (and there's room for disagreement here), some mathematical sections, particularly the McConney-Guest formulas, might better be put into appendices while still specified as required reading. The text would continue its even flow, and non-actuarial readers would be spared the trauma of encountering formidable algebra.

While the positive features listed here outnumber the negatives by only 4 to 3, this close score isn't indicative of the Note's merit. It is well worth the reading, not only by students but also by others, whether actuaries or not, who undertake marketing responsibilities. □

What Is The Society Doing?

(*Continued from page* 1)

(1) That a framework be developed for creating special interest Sections out of the existing programs of Continuing Education.

(2) That the Divisions concept *not* be implemented pro tem.

The Board agreed that we should not proceed to implement the Divisions concept, but did authorize creating a "stand-ready" mechanism in case that idea might later prove useful. Thus, in effect, Divisions are set aside. The rest of this article will speak only of Sections.

How Sections May Work In Practice

A Section can evolve out of an existing activity, or by enough members deciding to organize one. The Committee on Research, which conducts conferences and has its own publication (ARCH), is a form of Section. Likewise, the Committee on Futurism and nearly all the Continuing Education Committees already have activities that are, or easily can evolve into, Sections. Sections may in practice be born and grow somewhat as follows:

(1) The Section would be authorized by the Board for operation within some defined specialty area. Operating procedures applicable to all Sections would be established.

(2) Any Society member would be eligible to join, at little, if any, cost. All Sectional activities would be publicized to all Society members.

(3) A Section's scope might embrace any or all of the following:

i. Meetings—special purpose meetings, concurrent sessions with Section themes or joint meetings with other bodies.

ii. Actuarial Research—done by Section subcommittees or commissioned from existing research groups.

iii. Literature—segments of the *Record*, Section publications, or a special interest newsletter.

We Seek Your Views

The Task Force will conduct discussion forums at the Minneapolis and San Diego meetings and at the annual meeting next fall. President Julius Vogel or myself or any Task Force member will be happy to discuss these ideas at an actuarial club meeting. Thoughts are welcomed from any member who cares to write or call us. The Task Force Report of September 1979 will be mailed to any member who requests it from the Chicago office.

We consider the Sections concept exciting. As our profession inevitably becomes more complex, our need for continuing education and professional development is clear. The Society seeks to respond to this need and to make our meetings, services and publications relevant and useful. We look to you to help define those needs and to participate fully in meeting them. □

Federal Statistics

Social and Economic Characteristics of the Older Population: 1978

Series P-23, No. 85, $2.25 each from General Printing Office.

Income of the population Aged 55 and Older, 1976

The first of a biennial statistical series on incomes of older persons. Contained in *Social Security Bulletin*, Volume 42, No. 7, from GPO, $1.35.

The Effect of PSROs on Health Care Costs: Current Findings and Future Evaluation

The background paper prepared for the Ways and Means Subcommittee on Oversight. Analyses effectiveness of Professional Standards Review Organizations in controlling cost of health care. Stock No. 052-070-05002-1, $3.50, GPO.

Health Resources Statistics, 1976-77

Published by National Center for Health Statistics. Presents statistics on health facilities and manpower (by occupation) for the U.S. and by state. Single copies are free from National Center for Health Statistics, Scientific and Technical Information Branch, Room I-57, 3700 East-West Highway, Hyattsville, MD, 20782.

Finances of Employee Retirement Systems of State and Local Governments—1977-1978

Reports on payments to members and investments by kind. Report GF 78, No. 2, 85 cents, Subscriber Services Section (Publications), Bureau of the Census, Washington, DC, 20233. □