

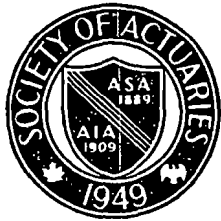


SOCIETY OF ACTUARIES

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The Actuary

The Newsletter of the Society of Actuaries

VOLUME 13, No. 6

JUNE, 1979

PUBLIC HEARINGS OF SOCIAL SECURITY ADVISORY COUNCIL

by Richard G. Schreitmueller

The Social Security Advisory Council, established every four years to review the program, held public hearings in five cities between October 1978 and January 1979. Individuals and organizations turned out in force to testify and to listen. Most speakers advocated liberal positions, but there was a conservative minority including the American Council of Life Insurance, the American Academy of Actuaries, and one retired actuary giving personal views. Employers in the private sector had little to say.

On issue after issue, most speakers wanted more benefits paid to more people; raising the retirement age was strongly opposed. Initial entitlement to disability benefits and accompanying Medicare was criticized as restrictive and slow. Once on the rolls, however, disabled workers were said to need more help and incentive to get back to work; on this liberals and conservatives agreed.

Universal coverage is a hot topic. For federal employees and members of Congress mandatory coverage was urged (except by representatives of the federal employees; they pointed with satisfaction to present arrangements, and viewed with alarm merger of their retirement funds into Social Security). At the state and local governmental level, spokesmen for teachers, police, and firefighters opposed mandatory coverage, pointing to problems in coordinated plan design. Testifying in favor, however, was the American Federation of State, County and Municipal Employees.

Among proposals supported by several were these: (1) paying for the welfare elements in OASDI benefits by general revenue financing, (2) taxing benefits, using those tax receipts to support the social security program, and (3) educating the government and the public on how the system now operates. □

WHY HE'S WHO HE IS

A Conversation with John O'Connor

It was at that modern crossroads of America—bustling O'Hare airport. Our new Executive Director, fourth incumbent since that post was created in 1968, was genially answering the customary questions. The reporter's tacit purpose was to find out just why the Board of Governors' search had ended with an offer to, and acceptance by, this man, John E. O'Connor, Jr.

To begin with, who is he?

- John's married, 36 years old—lives in Arlington Heights, Ill. — father of four, all boys aged between 12 and 4 years. Necessarily he's part way through a lengthy stint in Little League, with considerable assistance and support from his wife, Judy.
- He's by no means strange to professional association work — has been at it 12 years as Director of Finance & Operations for American College of Hospital Administrators (ACHA), a 40-year-old 20,000 professional membership society.
- Actuaries and our ways aren't new to him either. He's worked with a few of us, mainly in designing and running fringe benefit plans for ACHA affiliates.
- John is a graduate in business administration (Loyola University). He qualified as a C.P.A.; in the mid-1960's he practiced briefly as a public accountant.

What is John expected to do for the Society?

The Board of Governors departed from tradition this time by opening the position to either F.S.A.s or non-F.S.A.s. That one of the latter got the nod means that the task is now to be one of managing the concern and its staff and services, not performing as an actuary.

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NATHANIEL INGERSOLL BOWDITCH

by Dwight K. Bartlett, III

Perhaps others interested in the history of actuarial science and the actuarial profession were intrigued, as I was, by the reference to Nathaniel Ingersoll Bowditch (rhymes with Now'ditch) in the little volume, *From Actuarial to Actuary* by Robert C. Mitchell, as one of the early actuaries in the United States.

Bowditch was undoubtedly the leading American mathematician of the early 19th century. He was primarily known for his work in celestial navigation and celestial mechanics. The volume of tables he produced for celestial navigators is still in use today in much revised form and is familiarly known as "Bowditch's". That aspect of his career is well documented in a variety of works including an excellent biography of Bowditch, *Yankee Stargazer*, by Robert C. Berry.

Bowditch's career as an actuary and insurance executive is not nearly as well documented, nor as familiar even to those of us with an interest in insurance history. With this in mind I undertook an investigation of this facet of Bowditch's career.

Bowditch (1776-1838) grew up in Salem, Massachusetts, and in early life engaged in a variety of maritime activities, including clerking in a maritime supply store, serving on merchant vessels in several capacities including ship's captain, and being president of a maritime insurance company. In 1823 he was offered the position of actuary of the Massachusetts Hospital Life Insurance Company at a \$5,000 annual salary. He happily accepted the position since it gave him financial means to publish his scientific works. He served in that capacity until his death. Most of the company's papers and records from that era,

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1979 Annual Report

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The results for the long-range projections, compared with those of last year's Report, are:

**75-Year Projections of
Combined OASDI Surplus (+)/Deficit(-)
(% of taxable payroll)**

| | 1978 Report | 1979 Report |
|--------------------------|-------------|-------------|
| Optimistic assumptions | — .44% | + .87 |
| Intermediate assumptions | —1.40 | —1.20 |
| Pessimistic assumptions | —3.23 | —4.69 |

Only the optimistic 1979 assumptions show the program in actuarial balance. As with the short-range and medium-range, the mix of conditions between the two programs has changed. As shown below, the DI results have moved from a deficit to a surplus condition while the deficit in the OASI program is slightly higher than was forecast in 1978, both under intermediate assumptions.

**75-Year Projections of
Separate OASI and DI Surplus (+)/Deficit(-)
(% of taxable payroll)**

| | 1978 Trustees' Report | | 1979 Trustees' Report | |
|---------------------------------|--------------------------|--------|--------------------------|--------|
| | DI | OASI | DI | OASI |
| Under intermediate assumptions. | — .14% | —1.26% | +.21% | —1.41% |

The changes in surplus/deficit position of the two trust funds reflect primarily lower 1979 assumed rates of incidence of disability and mortality, reflecting recent favorable trends in these factors.

Copies of the 1979 Trustees' Report may be obtained by writing to the Office of the Actuary, Room 707 Altmeyer Building, 6401 Security Boulevard, Baltimore, Maryland 21235.

THE FUTURE AND YOU

Actuaries interested in attending the First Global Conference on the Future, July 20-25, 1980 in Toronto, would be well advised to register early. As the capacity for plenary sessions is limited, early registrants will receive preferential admission.

Individual registrations will cost \$115.00 until September 30, 1979 and \$145.00 after that date. Members of the World Future Society or the Canadian Association of Future Studies are entitled to a \$20.00 reduction in fees. U.S. residents are expected to pay in U.S. funds, while Canadian residents may pay in Canadian funds.

Any actuaries who wish to register or who are interested in more details about this conference should contact the undersigned. Cheques should be made payable to the First Global Conference on the Future, Inc., and sent to:

Donald R. Anderson, F.S.A., F.C.I.A.
Finance Director
First Global Conference on the
Future, Inc.
c/o D. R. ANDERSON ASSOCIATES
390 Bay Street, Suite 2020
Toronto, Ontario, Canada
M5H 2Y2

John O'Connor

(Continued from page 1)

A job description? Yes, there's one of course. It's impressive; it's labyrinthine. We gather that its content has been the topic of some discussion and revision during Ardian Gill's Search Committee's discussions with John. We'll say this for it — its twenty-seven "principal accountabilities" ensure that O'Connor will have few idle moments.

Will he visit actuarial clubs and attend meetings of Society committees? Yes, he expects to do some of both, but less at the outset than later. He sees his immediate goal as applying his acquired management skills to ensuring prompt and effective staff help, to the end that Society projects shall smoothly and quickly become Society accomplishments.

The Yardstick

That job description says that John O'Connor must understand the needs of the profession and the functions of our several actuarial bodies; that he is to organize and direct the staff; and that there'll be scope for him to display the

Death

Raybon E. Turner—FSA 1974

C. E. isn't C.A., he's C. G.

Groeschell is Competition Editor, so in a sense he is C.E. But only by the editor's mistake was he shown twice in our April issue as Charles A. Groeschell. Our apologies to Charles G. Groeschell—we are happy to set this record straight.

PENSION MATHEMATICS

A new and up-to-date edition of the Barnett Berin book "The Fundamentals of Pension Mathematics" has just been published by William M. Mercer, Inc. The text has been edited by Lawrence N. Bader and the problems, including some new problems, by Kevin Cheslack-Postava. The cost of the 124 page book is \$9.50. Letters should be sent to Pension Mathematics Book, William M. Mercer, Inc., 1121 Avenue of the Americas, New York, New York 10036.

skills of a "communicator." We predict that as our members become acquainted with him, the expectancy will spread that his personal and professional qualities will prove ample match for these requirements. And members will find it pleasant to welcome him to our top staff post, and to do what each of us can to help him achieve a full measure of success and satisfaction in discharging his key role in the Society.

E.J.M.

Fact & Fable

(Continued from page 2)

We're not where actors (dead) are into,
Nor are accountants what we're kin to.
We don't breed birds, we're not uncouth,
"All right!" you bite, "What do you doeth?"
Aha! Insurance-product pricing.
(Silence.) Isn't that enticing?

. . . and thanks to James H. Hunt for sending in Ms. Fant's article.