The Actuary

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The Actuary

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EDITORIAL

WHAT SAY WE?

"The system of private and government pension funds is in virtually the same leaky boat (as is Social Security), but few people have noticed yet that it is leaking."

On the eve of dissemination of an interim report by the President's Commission on Pension Policy, *The New York Times* has printed four articles (May 18-21) entitled "The Pension Tangle." We shall speak here mainly of the first of this quartet. Written by Karen W. Arenson, it expresses deep misgivings about the U.S.A.'s private pension system, in phrases such as the above and these:

> The persistent high rate of inflation is . . . threatening the very underpinnings of the entire retirement and pension system.
>
> Pension experts say there is no way the system can provide adequate retirement income in decades to come (unless) inflation goes away, and that is something that few, if any, economists are predicting. And if it did, the system would still face a severe challenge because the nation's birthrate has dropped dramatically and in the next century there will be a declining number of workers to support a retired population swelled by the postwar baby boom.
>
> The pension system is labelled by one investment manager "a phony promise."

Actuaries are reported to be among those who view inflation and the demographic shift as joining "to jeopardize the economic foundations of many retirement programs." Further excerpts:

> The cost of most public employee pension plans is rising rapidly because governments have tended to offer pensions far more lucrative than those given workers in the private economy. This is partly because many are indexed to increase in step with consumer prices . . . . Also, many government employees can retire sooner than their civilian counterparts, meaning that they draw pensions longer.

What have we actuaries to say about this? One Society member, Kenneth F. Keene, is given credit for suggesting that, immediately after retirement, employees should accept somewhat lower benefits than scheduled. In exchange, the corporation would promise to give them some regular pension increase because of inflation.

Of course, the *Times*' recital of pension woes contains nothing fresh or unexpected for actuaries. But now may be a good time for some of our members to tell the rest of us whether or not the statements in it are regarded as hitting close to the bull's-eye.

If perchance some of us consider it prudent that pension managers be prepared for the unthinkable—an annual CPI rise averaging 10 percent over the next decade or longer—ought actuaries to be saying so with greater clarity and force than we now are mustering?

As this newsletter enters its seasonal pause, we will welcome, as warmly as the summer, our readers' comments on all this, to be printed in the fall.

E.J.M.

LETTERS

Patience on a Monument

Sir:

I got a smile out of your March editorial with the verse ending:

> *In due course you will get an evasive reply,*
> *From Committee, Committee, Committee.*

It would have seemed funnier were I not still awaiting a reply to my letter to "Members of the Board of Governors," dated Aug. 7, 1979, and sent with my 1979 dues. My cheque was cashed promptly. My public prompting at the subsequent Miami meeting in hopes of spurring a reply was unproductive. Now my notice of 1980 dues as of Feb. 1 has arrived.

Should we stipulate in By-Law Article IX or elsewhere that no Fellow shall be required to pay dues for more than five consecutive years while awaiting a reply from the Board or from a Committee?

John Kroeker

* * * *

Masters or Dabblers in Computers?

Sir:

Few actuaries have had enough training in the proper use of computers. The assumption seems to be that because we are talented we can make one work. The proper assumption is that we have the ability to learn to use computers effectively.

To wit: it is not difficult to program a computer to count syllables, or to determine true yields based on random flows, or to run a multi-billion dollar company with mini-computers costing less than 25% of the mainframes. The tabulating era has ended!

Leslie J. Lohmann

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Actuaries Turn Up Everywhere

Sir:

The *Minneapolis Star* of April 25 adds to the information about what actuaries are doing that John C. Maynard et al. gave us ("Will There Be Enough Actuaries?", April issue). The *Star's* article begins thus:

> "Actuaries of the National Hockey League claim the team scoring first wins 70 percent of the time."

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