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THE E. & E. CORNER

Ed. Note: Here are the first returns since the Education & Examination Committee announced its Question and Answer feature in our February issue. All interested—please keep your questions coming! Send them to James J. Murphy at his Year Book address.

Ques.: Is there a formal process to keep texts and study notes current?

Ans.: Yes, and it's constantly evolving. Its most stable element operates in exam question setting and grading. Actuaries from a multitude of experiences use our text material in drafting and reviewing questions; when they find it behind the times, they notify the Education Committee whose responsibility it is to remedy the defect.

That Committee also has the benefit of suggestions from those teaching actuarial courses. students' suggestions, and its own periodic review of the syllabus.

Ques.: Is a new text about to replace Jordan? How will it differ? When will we have it?

Ans.: As announced in *The Actuary* (October 1978), a new text on actuarial mathematics is being written. It will be in two volumes, building upon the material in Jordan's *Life Contingencies*.

It will apply contingency theory to individual and group life and health insurance, annuities, pension funding, and computer algorithms used in calculate actuarial values. There will also be elementary applications to casualty insurance and to risk theory. The text will emphasize stochastic approaches (as contrasted to Jordan's deterministic approach); it will be closely integrated with the recent syllabus changes on Parts 1 through 3.

The first five chapters of Vol. 1, on risk theory, will come out this year and will replace the present Risk Theory Study Note for the Spring 1982 Part

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"WHOM SHOULD I HAVE FOR MY ACTUARY?"

Messrs. George Calat, Kenneth T. Clark, Stephen C. Frechtling, Frank L. Griffin, Thomas P. Tierney and Dale H. Yamamoto answered our January Query with ideas for the imaginary advisory pamphlet. In this summary of their letters the symbol "xxx" means "he or she."

Our contributors suggest: (i) that as assurance of competence, xxx be an FSA; (ii) that xxx be personable and tactful—one thinks that in view of our own protestations xxx had better be huggable; (iii) that xxx have management ability, and be accessible easily and, when necessary, quickly; and (iv) that xxx have an established reputation with clients and represent a reputable firm—one recommended the actuary be in a firm of actuaries large enough to encompass experts in related fields, and guarantee a continuous infusion of new ideas and techniques by hiring a steady string of progressive young actuaries.

Two thought xxx should radiate confidence, essential because the client may need to be represented in court or before government officials. Effectiveness as a speaker and as a judge of character was also mentioned in a broader context.

The actuary's affiliation—partnership with a non-actuary or employee status in a public corporation or insurance company—was queried. About the first of these our contributor is neutral, observing that attorneys and physicians prohibit this pattern while accountants permit it to a limited extent. He believes that an actuary should never engage in public practice while in the employ of a corporation unless its stock is owned entirely by its own active employees; and that an insurance company actuary shouldn't assume the role of consultant to its policyholders.) On admittedly rare occasions the actuary might be in the impossible position of representing both parties in a dispute.) *E.J.M.*

MORE PROPOSALS FOR CHANGING SOCIAL SECURITY

by Robert J. Myers

The 1977 Amendments to the Social Security Act provided for a one-time National Commission on Social Security with broad mandate to study the OASDI and Medicare programs. It was a nine-member body which included representatives of the private insurance business, beneficiaries and potential beneficiaries, and individuals having special knowledge of these programs; five were named by President Carter and two each by the Senate and House. The Commission could not start work until a majority of its members had been named, which did not occur until January 1979; its report was completed in January 1981.

The following are its major recommendations:

As to OASDI Coverage

- That all new federal, state and local employees after a specified date be covered compulsorily.
- That all present state and local government employees not under a retirement system be covered compulsorily.
- That members of Congress, the President, the Vice President, cabinet members, and the Commissioner of Social Security be covered compulsorily, with full offset of OASDI benefits and taxes against the benefits and contributions under their existing retirement system.
- That all employees of non-profit organizations, except those operated by sects conscientiously opposed to public insurance, be compulsorily covered.
- That the option for state and local governments and non-profit organizations to withdraw from OASDI be eliminated after a one- year grace period.
- That earnings required for coverage be increased to $600 per year for the self-employed, and to $150 per quarter for domestic workers and casual labor.

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Changing Social Security

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In the OASDI Benefit Area

- That the retirement age for unreduced benefits be gradually increased from 65 to 68, beginning in 2001 and reaching 68 in 2012. The minimum age for reduced benefits would move up in tandem from 62 to 65. Similar changes would be made for spouse's and widowed spouse's benefits.
- That increments for delayed retirement beyond 65 be increased from the present 3% per year to 7%. Several other possibilities were also presented, one being actuarial equivalents.
- That the age at which the earnings test is removed (72 through 1981, 70 thereafter) remain at 72 but, beginning in 2001, gradually increase to 75.
- That the windfall benefits that government employees acquire from outside employment be eliminated as to future employment.
- That the special minimum benefit granted to low-earnings persons be liberalized by increasing the years of creditable coverage from 30 to 35 and allowing up to 10 child-care years to count.
- That the Maximum Family Benefit for disability beneficiaries, which was decreased by the 1980 Act, be changed back to its former level, except for a cap of 80% of the highest-five-consecutive years average indexed earnings (generally of little effect).
- That widow's and widower's benefits be indexed by wages, rather than prices, during any period of deferment, i.e., between widowhood and age 60.
- That the automatic adjustments in response to CPI increases be based on wage instead of price changes when, for a two-year period, wages rise less rapidly than prices—with a catch-up provision when wages once again rise more rapidly.
- That school-attendance benefits, available at ages 18-21, not be payable when the child's attendance is not full-time.
- That marriage and remarriage be eliminated as termination causes for beneficiaries on the roll.

In OASDI Financing

- That the tax schedule be revised to provide adequate short-range financing and to bring the system into close long-range actuarial balance (see table at end of this article).
- That the combined employer-employee tax rate for OASDI and HI be limited to 18%; when a higher rate would be needed, the additional funds to come from general revenues, payable into the OASI and DI Trust Funds.
- That inter-fund borrowing among the OASI, DI, and HI Trust Funds be allowed: and that borrowing from the General Fund of the Treasury be allowed, but only until 1985.
- That the maximum taxable earnings base be frozen for 1985-86 at the level it reaches in 1984.

Budgetary and Administrative

- That the operations of all Social Security trust funds be removed from the unified budget.
- That administration of the system (OASDI and Medicare) be moved from the Department of Health and Human Services to an independent agency.
- That an income tax credit be granted to persons who attain age 65 after 1981 to offset in part OASDI benefits withheld as a result of the earnings test. This credit would increase with age.

In Medicare Financing and Coverage

- That, beginning in 1983, HI be financed to the extent of half its cost from general revenues, and that the HI tax schedule be revised in consequence of this and to provide adequate long-range financing (See table).
- That a special 2½% surcharge be added to personal income taxes to help meet about half the cost of the above general revenue financing (proceeds not, however, going directly into the HI Trust Fund).
- That, beginning in 1982, HI coverage be made mandatory for all federal, state and local government employees.
- That a catastrophic cap ($2,000 in 1982, indexed to CPI thereafter) be established, all out-of-pocket expenses for cost-sharing payments above it to be met by Medicare.
- That Medicare's waiting period for disabled beneficiaries be reduced from 24 months to 12 months on the roll.
- That the age of Medicare benefit eligibility be increased, just as for OASDI, from 65 gradually to 68.
- That hospital benefits be determined by the calendar year instead of by spell of illness; that daily cost-sharing amounts be changed to 10% of initial deductible for the 51st to 100th days and to 5% for the next 50 days, and the lifetime reserve days be eliminated; that higher maximums on outpatient psychiatric services be set; and that benefits be payable for foreign hospitalization.

The Commission also recommended that the chief actuarial officers for OASDI and Medicare provide a certification in the annual Trustees Reports of the assumptions and methods they used in preparing their actuarial cost estimates.

This author, who was the House Republicans' appointee to the Commission supported all its recommendations except those for partial financing of HI (and ultimately OASDI) from general revenues, and for increasing the Maximum Family Benefits for disability beneficiaries.

Employer + Employee Tax Rates Presently Scheduled and Recommended (OASDI + HI); Payments from General Revenues expressed as percentages of taxable payroll.

	Present Tax Rate	Recommended Rates: Payroll Tax Rate		Recommended Rates: From General Revenues*	
1981	13.3%	13.30%			
1982	13.4	13.40			
1983-84	13.4	13.40		1.30%	
1985	14.1	13.95		1.35	
1986-89	14.3	14.05		1.45	
		First 5 yrs.	2nd 5 yrs.	First 5 yrs.	2nd 5 yrs.
1990-99	15.3	13.05	13.50	1.85	2.30
2000-09	15.3	12.60	12.85	2.60	2.85
2010-19	15.3	13.35	14.90	2.85	3.00
2020-29	15.3	16.70	18.00	3.30	4.10
2030-39	15.3	18.00	18.00	5.40	5.80
2040 & after	15.3	18.00	18.00	5.90	5.90

*Payments from general revenues would be for HI in 1983 and after, and for OASDI in 2025 and after.

Appointment in Social Security Administration

We report with much pleasure that Robert J. Myers has been appointed Deputy Commissioner of Social Security for Programs.

Deaths

Patrick Carrigan, A.S.A. 1954
Arthur W. Larsen, F.S.A. 1923
Ronald G. Maitland, F.S.A. 1948
Norris E. Sheppard, A.S.A. 1923

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