

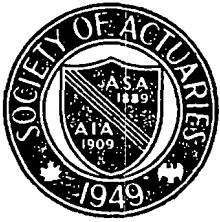


SOCIETY OF ACTUARIES

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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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Book Review

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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 bibliography 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. Re-ordering 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?

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(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 CF 78, No. 2, 85 cents, Subscriber Services Section (Publications), Bureau of the Census, Washington, DC, 20233. □