



SOCIETY OF ACTUARIES

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The Actuary

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ACTUARIAL NOMADS

Among our 8,000 present members there are a few who, having struggled like the rest of us to Fellowship or Associateship, have wound up earning their livings in ways quite unlike yours and mine.

Our Career Encouragement Committee's Subcommittee on Actuarial Opportunities has looked around for members who hold jobs in non-traditional areas. Subcommittee Chairman Gilbert V. I. Fitzhugh reports having discovered 27 of these.

This hunt's purpose was to find out whether there might perhaps be more such opportunities for actuarially trained men and women, whether those who have left the beaten path have found our brand of training useful in what they are doing—and whether our educational system might be adapted so as to become a yet better stepping-stone into diverse fields.

The Subcommittee asked these members what value they now think the actuarial course has been to them, with these results:

Exams Regarded As:

Mostly A Waste of Time	11	responses
A Suitable Path, But Not Uniquely So	9	"
The Preferred Way To Prepare	5	"
Special Cases	2	"

Verdict: "Waste of Time"

Among the eleven who evidently regret having strayed into our examination centers were 5 Fellows. One is now building restaurants for a fast-food chain; the others are a family physician, a farmer, a health care delivery consultant, and a divinity student and part-time preacher. The Associates include a chartered accountant, a systems ana-

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QUESTIONS FOR E & E ?

The Education and Examination Committee is introducing a periodic Question-and-Answer column. To get it started, we hereby solicit questions from readers.

Through this form of communication between the Committee and students, teachers and other interested members, we aim to remove mystique from the examination process.

Please send us questions that are of general interest to students writing any particular exam, to students in general, or to Society members.

We do not promise to answer every question, but we will respond in this column to questions of widespread interest, and we will reply personally to other enquiries. The first column is to appear in April.

Send your questions to: James J. Murphy, Director-Underwriting, Northwestern Mutual Life Insurance Company, Milwaukee WI 53202.

Peter Hepokski

FUNDING FLAT-BENEFIT PENSIONS IN AN INFLATIONARY ERA

by Lawrence N. Bader

The Problem

Consider a company that sponsors a final-pay plan for its salaried employees and a negotiated flat-benefit plan for its hourly-paid workers. Under the former, benefit increases due solely to salary increases are anticipated and pre-funded. But the corresponding increases under the latter take place only through plan amendments, are not anticipated in the funding, and create new unfunded liabilities. If both plans' benefits are held constant in relation to pay, the unfunded liability will gradually disappear under

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1981: A VINTAGE YEAR FOR SOCIAL SECURITY LEGISLATION?

by Dwight K. Bartlett, III

There is reason to expect 1981 to be the biggest year for Social Security legislation since 1977, perhaps even since 1972. Between 1935 and the early 1970's Congress used to love Social Security legislation because of its opportunity to vote more benefits to more people. But Congress has come to loathe this task since it requires difficult choices—increasing revenues, reducing benefits—that inevitably anger a significant portion of the electorate. Witness the extreme difficulty in adopting last year's relatively minor disability insurance amendments.

Congress, in 1981, cannot avoid passing significant legislation to deal with financing. Present projections of the Office of the Actuary indicate that without legislative remedy the OASI Trust Fund will be unable to pay benefits, certainly in 1982 and maybe even in late 1981. Since Congress must do something it may be in a mood to try to do everything this year in the hope that thus it can avoid addressing Social Security financing problems for a while—certainly not in the election years 1982 and 1984.

Several questions are apt to receive serious consideration by Congress in 1981. These include:

(1) *Inter-Fund Borrowing.* This will permit the OASI Fund to borrow from the DI and HI Funds until the higher payroll tax rates scheduled for 1985 come on stream and permit the OASI Fund to recover and the loans to be paid back. This is the most likely of all provisions to be legislated since it requires no tax rate increases and no benefit reduction. Current projections, however, show that this by itself probably won't

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EDITORIAL

MOUTHPIECE

"The job of U.N. Ambassador is to represent the policy of his/her government without qualifications or ambiguity, to do it as persuasively as possible . . . (But) I am not a professional diplomat. I haven't signed over my conscience and intellect. If I didn't feel in good conscience I could represent the policies of the Reagan administration and the State Department, then the appropriate course would be to resign."

—*Jeanne J. Kirkpatrick, delegate-designate to the U.N., quoted in The New York Times, Jan. 12, 1981.*

AFTER pausing to admire Mrs. Kirkpatrick's graceful description of how she sees her task, we turn to the question whether the role of an actuary who is appointed to an NAIC advisory group is expressible in parallel terms.

It seems that, to do so, we must make up our mind on three fundamentals:

First, whether such an actuary thinks of himself as an advisor in any broad sense—or whether he comes to the meeting with prior instructions, bent upon striking the best bargain he can in the narrow interests of his own company.

Having seen actuaries in action on this front, we conclude that in many cases closer attention to the meaning of that adjective "advisory" is called for.

Second, whether actuaries tend to be of greater use to the NAIC when they come to such meetings as appointed representatives of the Society or Academy rather than of a company association.

An actuarial observer, whose judgment we think warrants confidence, has said that he detects a material difference. When the actuaries are speaking for our profession the working relationship, says this commentator, "tends to generate a clear expression of the problem and to progress toward a solution consistent with the best deal for the public."

Third, how the actuary's behavior is affected by the presence, becoming more and more common, of committee members from outside the industry.

Beyond doubt their presence compounds the difficulty of the task. The actuary has to be sure to listen carefully, to expel jargon from his own discussion, and to give the so-called public interest member the benefit of the doubt when judging his motives and competence.

To the extent that an actuary in any of these forums must, like Mrs. Kirkpatrick, present "as persuasively as possible" the views of his own company people back home, surely he should limit himself to voicing supporting arguments that are tenable when subjected to the reasoning that his professional training enables him to apply.

E.J.M.

Actuarial Nomads

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lyst, a theatre manager, a plumbing supply wholesaler, and a retirement fund administrator.

Mr. Fitzhugh comments that these eleven are mostly people who tried being actuaries, and didn't like it. These nevertheless have kept their Society membership; it would be interesting, said he, to interview some of those who left the Society, if they could be found.

Verdict: "Helpful"

This group of nine are mostly in investments, banking and finance, and perhaps are typical of a substantial number of us in those fields. They tend to see MBA's as their competition. Mr. Fitzhugh sees possibilities for syllabus changes that would increase its value for their successors. Indeed, the British experience where many F.I.A.'s and F.F.A.'s get into the investment field, appears worth examining.

Verdict: "I Needed That"

Here we find five members performing traditional jobs in non-traditional places. Four are in government, engaged in such as model office studies for FHA and reviewing private pension and insurance programs. The fifth is a self-employed Associate who calculates retirement plan shares upon marriage dissolution in a community property state.

The Special Cases

Two of the Subcommittee's quarry turned out to be chief executives of conglomerates that include insurance companies. Says Fitzhugh, "These men rose to the top of the ladder by climbing the actuarial rungs." One of them went beyond the fabric of the questionnaire to wax enthusiastic about the value of actuarial training to those who may eventually be picked to manage a broad enterprise.

We observe with interest that this newsletter's Competition Editor was somehow caught in the Fitzhugh net. The Subcommittee classified our Charles Groeschell in the "It Was Helpful" category because he responded that in preparing himself for the C.E. job, actuarial exams helped him to be patient and competitive, but a sense of humor had to be acquired elsewhere.

E.J.M.