



SOCIETY OF ACTUARIES

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LET'S TALK

INTERVIEW WITH AN ACTUARY IN THE PUBLIC INTEREST

Questions provided by the SI&PF Section. Responses by Dick Schreitmueller.

Recently we had the opportunity to spend time with Dick Schreitmueller, learning about his experiences in the public sector. Below are excerpts from Dick's responses to the questions that we presented to him.

WHAT IS YOUR CURRENT PROFESSIONAL ROLE AND HOW DOES IT RELATE TO THE PUBLIC?

I retired from pension consulting 15 years ago. Since then, I've done a little work on post-retirement benefit issues from a public policy and consumer viewpoint, mostly writing and editing. Examples include working with:

- The Society of Actuaries (SOA) on managing post-retirement risks, including investments and health care;
- Women's Institute for a Secure Retirement (WISER) on financial issues; and
- American Academy of Actuaries (AAA) on Social Security policy.

WHAT IS YOUR EDUCATIONAL BACKGROUND?

I graduated from University of Notre Dame in 1953 with a Bachelor of Science in Electrical Engineering. After a year as an engineer, I was drafted for two years into the U.S. Army.

I played a lot of bridge in college and got to know Oswald Jacoby, a famous bridge player and former actuary. In 1956 I wrote to Jacoby asking about an actuarial career and he encouraged me to go for it. His letter to me is displayed on my wall at home.

In 1960 I finished the exams to become a fellow of the Society of Actuaries (FSA). My good exam record was mainly due to a knack for summarizing technical material in a format I could study from and use to answer essay questions.

WHAT IS YOUR PROFESSIONAL BACKGROUND?

My first actuarial job was at Aetna Life, with 10 years in group insurance and three years in group pensions. I was fortunate to work under Paul



Jackson, an excellent role model for managing product lines and for writing in what he called "shirt-sleeve English." I especially liked designing insured products and employee benefit plans.

Then I moved into pension consulting, working with defined-benefit plans for eight years. Again, I enjoyed any chance to design and explain benefit plans.

Haeworth Robertson, chief actuary at the Social Security Administration (SSA), hired me in 1977 because he thought Social Security (SS) would bring in more governmental and nonprofit employers, and I could help with the transition. Haeworth soon left the government but his predictions proved correct. Being outside the SSA's actuarial mainstream, I got a wide range of special projects that often involved explaining the program to outsiders, including "money's worth" calculations that compared workers' benefits with their payroll taxes. In 1980 to 1984, I authored the first official summary of the lengthy annual SS trustees' report.



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Meanwhile, in 1981, President Reagan named actuary Bob Myers to head up the SSA's policy areas, including the actuaries and many others. As a freelance SS expert, Bob had made several public appearances to discuss and debate whether governmental and nonprofit employers should opt out of SS coverage, as the law then allowed. Bob no longer had time to do this, so he asked me, on one day's notice, to step in and represent the SSA. I started off on a panel opposite a consultant who offered to install a defined-contribution (DC) plan replacing SS that would increase benefits and save money. My second appearance was opposite a consultant who wanted to manage a defined-benefit (DB) replacement plan. I did okay on the two panels, but, more important, I now had a clear understanding of the issues and was ready to write a paper about the pitfalls of opting out. Bob Myers agreed to review the paper, which I'd present to the Middle Atlantic Actuarial Club.

My draft began by saying it gave my personal views, but not necessarily those of my employer. Bob Myers crossed that out and said the paper would, in fact, be the views of both himself and the SSA. Bob was a pleasure and a privilege to work with. He made helpful suggestions, and soon the paper was done. We publicized the paper and its key arguments widely among actuaries and other interested parties, and over the next two years I spoke on many panels around the country. I always ended by saying that the law allowing some employers to drop out of SS made little sense and would soon be repealed, which it was in the 1983 SS amendments.

This law also said SS would cover federal civilian employees hired after 1983, plus all elected officials and key appointees. The existing Civil Service Retirement System was designed to be adequate without SS, so its retirement, disability and survivor benefits now had to be cut back to coordinate with SS. The Senate borrowed me from the SSA in 1985 to 1986 to help design the new Federal Employees Retirement System (FERS).

As it happened, my main contribution involved the proposed Thrift Savings Plan (TSP). This emerged from an informal conversation early in 1985 between me and Jamie Cowen, a key Senate staffer. We'd been trying to find a good way for this DC plan to handle common stock investments. Although others suggested using IRAs as a model, offering employees a wide range of investment choices, we wanted a centrally managed fund that would be kept free of politics. But how could the fund managers avoid any tendency to invest in politically favored companies? Jamie got us halfway home when he remarked, "It's too bad there isn't a way to choose the stocks automatically." Right away the proverbial light bulb went on, and I said, "There is a way, called an index fund. And that's how we'll do it."

Index funds, used mainly by large pension funds at the time, were still new and got little respect among investment managers, whose livelihoods were threatened by them. Nobody else on the Hill had heard of index funds, and they weren't even mentioned by the pension and investment experts at our many public forums during the legislative process. But policymakers caught on quickly. The stock index fund proposal was in the Senate bill introduced in July 1985, and a year later I watched President Reagan sign it into law. I spent a few months helping a new agency launch the TSP, working on announcement material and administrative issues.

Then it was time to return to the private sector, where I spent 1988 to 1997 as a resource actuary for two large consulting firms, helping them cope with technical rules for pension plans.

In 1992, the president appointed me to the Department of Defense (DoD) board of actuaries for a 15-year term. This meant overseeing technical work of DoD's fine actuarial staff for the military retirement system. So, I worked with all four of Uncle Sam's big retirement programs (SS, military retirement, civil service retirement and TSP), though most of my career was in the private sector.

WHAT PREPARED YOU MOST FOR YOUR PROFESSIONAL ROLE?

My interest in politics and government began while I was at Aetna. This interest increased while working in Washington, D.C., with new government pension rules.

WHAT ARE YOU MOST PROUD OF?

Helping change the federal employee retirement program as a Senate staffer in 1985 to 1986. My main contribution was getting the TSP to use index funds. This resolved two critical issues for policy makers, offering workers an attractive way to invest while keeping politics out of stock selection. The TSP has been widely applauded inside the Beltway and was later extended to military personnel.

A bipartisan group of Senate staffers met weekly to redesign the retirement program. Our office had one PC, which nobody used, so I made a spreadsheet outlining the old versus new plans, updating it for all staffers whenever we filled in new provisions. This outline became the only available description of the new plan as it went through the Senate, the House-Senate conference and White House signoff, until the lengthy bill was printed and signed into law. Even then, all parties used my outline as a reference to the new law until they could digest the actual bill's legal wording for themselves.

ARE THERE ANY OTHER ACTUARIES THAT WORK DIRECTLY IN THE PUBLIC INTEREST THAT YOU ADMIRE?

Anna Rappaport.

WHAT ARE SOME WAYS YOU HAVE BEEN ABLE TO STAND UP FOR THE PUBLIC INTEREST?

The FERS legislation tackled issues important to taxpayers and millions of federal employees. Policymakers wanted to reduce retirement costs and allow federal employees to invest in the stock market, while keeping politics out of the investment process. I contributed to this successful effort.

HOW HAVE YOU DEALT WITH DIFFICULT SITUATIONS?

I don't feel I've had many difficult situations. Selling the index fund concept to policymakers could have been difficult, as it was a new idea in 1985. To help make them comfortable, I cited a financial textbook and named a few large employers who offered index funds in their DC plans.

WHAT WAS YOUR MOST REWARDING JOB?

Clearly, this was working for the Senate. Before my interview with the Senate, I asked Bruce Schobel about his recent experience on Capitol Hill. Bruce said it would be hard work with little or no recognition, but also a special opportunity and experience. My boss at the SSA, chief actuary Harry Ballantyne, said he'd be glad to have me help Congress, but if I didn't want to go, he'd get me out of it. I felt this was what the SSA had hired me to do.

Committee chairman Sen. Bill Roth (R-DE) liked both my pension experience and my Republican background. Hill staffers tend to have great freedom to do the job their own way but must be loyal and trusted team players.

Senator Roth also asked me to design an early retirement window bill for federal employees. This was unlikely to go far, but media coverage of a press release and hearing would have political value. So I became a client of the Senate's legislative staff, getting them to draft legislative language, and represented Senator Roth in discussions with union leaders and the Congressional Budget Office. For the hearing, I decided who would testify and sat next to the Senator, providing questions for each witness. The bill didn't make it to the Senate floor, but that process was a unique chance for hands-on experience.

The hours were long and demanding but the work had intangible rewards—our staff director called this “psychic income.” Status as a Hill staffer opened many doors. I got prompt techni-


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cal help from the Library of Congress and from Ford Motor Company, thanks to their actuary Marc Twinney. The fun parts included a Finnish embassy party, a DC radio call-in show, where I was the guest expert, a confidential State Department briefing on Liberia for a friend who'd soon travel there, and a seat at the Supreme Court to watch oral arguments in a case about government employers who wanted to drop SS coverage.

An item on my bucket list was to publish a paper in the SOA Transactions, which I did in 1988, regarding the federal employee legislation. I patterned the paper after those Bob Myers had done about SS legislation in the 1950s and 1960s. Bob's published remarks about my paper said it was "monumental." Soon the SOA Transactions faded into obscurity, but by then the bucket item was done.

DO YOU HAVE ANY THOUGHTS TO SHARE WITH CURRENT AND FUTURE ACTUARIES WORKING IN PROFESSIONAL ROLES HAVING A DIRECT IMPACT ON THE PUBLIC?

Actuaries have much to contribute. My Senate staff director said I kept the rest of the staffers glued into reality. Each assignment offers a unique personal and professional experience, working with new people and issues. 



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