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EDITORIAL

U.S. SOCIAL SECURITY 1984 TRUSTEES' REPORTS

Actuaries aware of but not close to the recent problems and remedies applied to the social security system in the United States are likely to be chiefly interested this year in four questions which we'll undertake to tackle in this space, using the just issued Trustees' Reports as our source.

I. Do The Trustees See New Clouds On OASDI's Short-Range Horizon?

No, except on their pessimistic (Alternative III) assumptions. On assumptions other than Alternative III, the \$12.4 billion owed to the HI Fund will be repaid before 1988, and the system will manage to grant full cost-of-living increases to beneficiaries.

II. How Pessimistic Are The Alternative III Assumptions?

Our notion is, "Not Very". Here are some key figures:

	Actual			Alternative III		
	1981	1982	1983	1985	1986	1987
Percent Avge. Wage Incr.	10.1%	5.8	4.2	5.0	6.4	5.9
Percent CPI Increase	10.2	6.0	3.0	5.7	6.0	5.5
Unemployment Rate	7.6	9.7	9.6	9.0	8.8	8.4

III. How Obvious Is The Highly Controversial Cutback In Payments To Disabled Beneficiaries?

The aggregate benefit disbursements from the DI Fund in 1978 to 1983, and the amounts expected to be paid in 1984 to 1988 under Intermediate Assumption II-B, show that the trend up to 1981 has been considerably altered, and is expected to remain so.

Calendar Year	Actual Payments	Calendar Year	Projected Payments
1979	\$ 13.8 B	1984	\$ 17.7 B
1980	15.5	1985	18.1
1981	17.2	1986	19.1
1982	17.4	1987	20.2
1983	17.5	1988	21.5

For a thorough analysis of this complex question, see John H. Miller's *Disability Newsletter*, March 1984.

IV. What Do The Trustees Propose On Medicare?

In their HI report, the trustees recommend "that Congress consider further action to curtail the rapid growth in the cost of the program". For SMI, the wording is a bit stronger: "that Congress take action . . .".

E.J.M.

LETTERS

GAAP For Mutual Companies

Sir:

My article (Dec. 1983 issue) has produced responses (March) and a full article (April), on all of which I'm glad to comment.

I erred in asserting that only a GAAP-adjusted statutory statement can be regarded as conforming to GAAP. Taking for example Mr. Cody's GAAP-type balance sheet showing assets and obligations, the latter including provision for future dividends according to a specified scale, there's no reason to deny that this conforms to GAAP provided the statement's nature is clearly explained.

What I should have said is that since the obligations in a statutory statement exclude dividends not yet declared, the way to judge that statement's conformity to GAAP is to compare it with a statement in which the obligations likewise exclude future dividends not yet declared, but in which the various amounts are determined by GAAP accounting rules. That would be quite different from the type of statement described in Mr. Cody's article.

In response to the letters from Messrs. Robertson, Sarnoff and Snell:

1. I don't suggest that mutual companies should publish any statements other than statutory. My article addressed the question whether or not a statutory statement conforms to GAAP.
2. A mutual company can, if it wishes, describe its dividend philosophy in the narrative portion of its report. My concern is whether the stated net worth out of which future dividends will be paid differs materially from the amount determined according to GAAP.
3. The accounting authorities who have addressed the mutual life company GAAP question have not yet, to my knowledge, resolved it. Actuarial groups have publicly expressed views on the subject; my article offered my own, differing, view.

Daniel F. Case

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