

The Actuarial Education and Research Fund*

by

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The Actuarial Education and Research Fund (AERF) is a not for profit corporation organized under the applicable law of the State of Illinois in 1976. Its origin goes back to the 1971 Society of Actuaries Committee on Professional Development chaired by Paul A. Campbell. The Committee was charged to identify and to explore opportunities for the Society to help its younger members gain professional and personal benefit and contribute effectively to the actuarial profession. Among other items, the Committee stressed the need for some formal research organization for the actuarial profession, and recommended that steps be taken to form such an organization. The gradual maturing of this idea is the topic of this talk.

In 1972, the Society's Committee on Research was asked to review this recommendation of the Campbell Committee. In general, company members of the Committee on Research were somewhat dubious about implementing the idea. Academic members generally favored the notion, perhaps from self-interest but also from genuine concern about keeping the scientific basis of the profession alive and vigorous. The upshot was that the Board of Governors set up a committee under Dwight K. Bartlett to analyze objectives and merits of organizing an Actuarial Education and Research Fund. By 1974 this was expanded to a Joint Committee of the various actuarial organizations with Dwight Bartlett continuing as chairman.

In late 1974, the Joint Committee issued a report of which some highlights are:

1. The objective of the Fund would be to stimulate, promote and coordinate actuarial research and the production of educational materials thereby assisting the profession to contribute to the vitality of actuarial research and to serve the actuarial needs of society with high competence.

2. The Fund would be administered by a Board of Trustees consisting of two members appointed by each of the American Academy of Actuaries, Canadian

*After dinner address to the 13th Annual Actuarial Research Conference, Ball State University, August 31, 1978. Liberal use has been made of reports prepared by Dwight K. Bartlett and M. Stanley Hughey.

Institute of Actuaries, Conference of Actuaries in Public Practice, Fraternal Actuarial Association, Society of Actuaries and Casualty Actuarial Society. A minority view held that several Board positions should be filled by persons from outside the profession to provide a wider viewpoint and to add prestige.

3. The position of Executive Director was outlined.

4. It was concluded that no formal fund structure would be necessary if what is needed is merely a fund raising mechanism to channel money into the respective organizations and their committees for use by them at their discretion. The Society of Actuaries is already eligible to receive tax deductible contributions for education and research purposes. The Committee felt that the Fund should actively sponsor education and research projects as a complement to fund-raising activities.

5. An initial estimate of budget needs arrived at a total of \$300,000 per year, allocated to the interests in (a) life and health insurance (b) liability and property insurance (c) retirement plans, and to a part-time office of executive director.

Next steps for the fledgling organization were outlined as:

(a) A number of potential contributors, particularly the larger insurance companies, should be approached. (So far, only limited steps have been taken in this direction.)

(b) Formal approval by the Boards of the various actuarial organizations establishing the Fund and naming by them of the original board of trustees should be accomplished. (This has been done and the current directors are

American Academy of Actuaries -	M. Stanley Hughey, Chairman James C. Hickman
Canadian Institute of Actuaries -	John A. Mereu, Secretary Alan Morson
Casualty Actuarial Society -	Steven H. Newman, Treasurer Ronald E. Ferguson
Conference of Actuaries in Public Practice -	Barnet N. Berin Fenton R. Isaacson
Fraternal Actuarial Association -	Robert E. Reuter Bartley L. Munson
Society of Actuaries -	Morton D. Miller Cecil J. Nesbitt

In addition, in 1974-75 the Society of Actuaries allocated \$50,000 for projects of AERF approved by the Board of Governors, and a similar allocation of \$5,000 was made by the Casualty Actuarial Society.)

(c) With the assistance of counsel the Board should draft articles of incorporation and by-laws. (Completed as of June, 1976.)

(d) The Board should seek out a suitable Executive Director, possibly one associated with a university. (The Fund has not yet developed to a stage where such an individual is essential but in the interim some of the director's functions have been performed by Stephen G. Kellison, Executive Director of the Academy and by Peter W. Plumley, Executive Director of the Society.)

(e) Appropriate filings should be made with the Internal Revenue Service to obtain qualification of the Fund under IRS Section 501(c) 3 and its Canadian equivalent. (The IRS qualification was approved in February, 1978.)

At a meeting of the Council of Presidents in June, 1975 all six of the actuarial organizations expressed agreement in principle with the report of the Joint Committee. The preference of several of the organizations was to identify deserving projects as an initial step; and to leave fund raising to a later stage when specific projects were defined. Subsequently, C. L. Trowbridge, who was serving as the President of the Society of Actuaries, called an organization meeting in September, 1975 of representatives from the six actuarial bodies.

At that first meeting, the groups split into three subcommittees by fields of interest, and that pattern has persisted. The Subcommittee for Life and Health Insurance is now chaired by Alan Morson; the Subcommittee for Pensions by Cecil Nesbitt; and the Subcommittee for Property/Casualty Insurance by Ronald E. Ferguson.

Another pattern emerging from those early meetings is a format for initial definition of projects that are proposed in the subcommittees. The presentation of a proposed project should address itself to the following questions:

What is to be done?

Why this is an appropriate project for the Fund?

Who would undertake the project?

How much money is needed to fund the project?

Who would provide the funding?

How long would the project take?

There is also the concept that requests for proposals relating to a specified project should be invited on a profession wide basis. An example of this is the recent request for proposals to prepare a comprehensive text on Distribution of Losses by Size (see September issue of The Actuary). The full request, prepared by Charles C. Hewitt, elaborates on the purpose, intended objectives, project methodology, instructions for offerors, form of bid, qualifications of proposers and selection of contractor. A committee headed by Mr. Hewitt has been appointed to monitor the project.

In response to a request by the Department of Labor for proposals to study Public Employee Retirement Systems (PERS), a substantial effort was made under the aegis of AERF. The proposal has proceeded through a number of stages and is now under reconsideration by the National Science Foundation. The proposed budget for this project is in excess of \$200,000.

The Health, Education and Welfare Department is committed to a study of universal coverage under Social Security and AERF is sponsoring the preparation of a proposal for the actuarial aspects of such a study.

The Subcommittee on Life and Health Insurance is working on the definition of two related projects dealing with the measurement of surplus as it pertains to pricing or underwriting risk, and as it pertains to asset risk. These projects were identified by the Society of Actuaries Committee on Valuation and Related Problems.

Dr. T. N. E. Greville and Mrs. Sheelah Wolfenden, are arranging for the limited publication through the facilities of AERF of a manuscript by the late Hugh H. Wolfenden on: The Mathematical and Actuarial Work of Erastus Lyman DeForest. This will be edited by Professors Greville and Stephen M. Stigler of the University of Wisconsin.

A memorial fund established for David G. Halmstad is held by AERF and plans are underway to use the income of the fund to recognize notable new contributions to actuarial literature. Also, AERF has approved a \$500 grant to be awarded for one or more especially meritorious papers presented at the 1979 Society of Actuaries Special Topic Meeting on Health Insurance.

As noted by Chairman M. Stanley Hughey, AERF progress in sparking actuarial research has been disappointingly slow. However, AERF is now in a position to go ahead. Sooner or later some of the substantial projects it has considered will come to fruition under the guidance of AERF, and further projects will emerge as actuaries adapt financial security systems to the social and economic changes of our times.