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THE PENSION SECTION

By Charles Farr

Early 1983 saw the start of the formation of the Society's Pension Section. A 25-member organizing committee polled the membership of the Society to determine their level of interest. An overwhelming response of over 1,000 members spurred the Board of Governors to authorize the Section. Invitations to enroll were mailed in June 1983 and about 900 actuaries became eligible to vote in the first election of a Council by joining the Section and paying their $5 dues.

The first scheduled meeting of the newly elected Pension Section Council was on Nov. 14, 1983. It was largely organizational in nature, but the outlines of the directions of future efforts began to emerge.

Work started on examining the feasibility of publishing a pension journal. The education of the pension actuary was felt to be a priority area of effort, aimed at reviewing the present syllabus and making whatever changes judged to be necessary in the light of the needs of today and the future. Continuing education of the pension actuary was also felt to be an ongoing concern.

There was some feeling that there were enough professional meetings already devoted to pension topics, and that it would be inadvisable to duplicate what was already being done. On the other hand, interest had already arisen in connection with the need for coordination and liaison with the Program Committee of the Society. Initially, this interest was expressed in terms of the Section providing assistance to the Program Committee of the Society in the selection of program participants or topics, and even conducting specific sessions.

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MAIL ALERT

The First Ballots for the Society's 1986 Elections were mailed to all Fellows on April 3, and hence should have been received prior to the arrival of this issue of *The Actuary*. To be valid, ballots must be returned to the Society office by May 5.

EXERCISE YOUR FRANCHISE!

The Committee on Elections has noted with some dismay the declining percentage of Fellows of the Society who have participated in Society elections in recent years. These figures for recent elections were as follows:

1985	48.9%
1984	50.5%
1983	50.9%

Undoubtedly there are reasons for the declining percentage of eligible voters exercising their franchise right. Apathy is undoubtedly one reason. Inability to distinguish between the qualifications for office of the various candidates is undoubtedly another reason. The complexity of the ballots is also a contributing factor. The Committee on Elections has tried very hard to find a happy medium between providing adequate information to eligible voters and the need to keep the ballot and the accompanying instructions reasonable.

The profession's ability to discharge its responsibilities to its publics is largely determined by the quality of the services provided to the membership in education, continuing education, and research. The Society's performance in providing services to its membership will in turn only be as good as its leadership. With your vote the quality of that leadership can be guaranteed. Without your vote it cannot be guaranteed. □

NON-TRADITIONAL PERSPECTIVES

By James Ramenda

It is fashionable these days to characterize actuarial jobs as either "traditional" or "non-traditional". In this context, most would place company valuation in the traditional category. Yet, this function is performed most frequently by millions of investors who are continually offering, bidding for, and exchanging shares of publicly traded insurance companies in a setting most would consider non-traditional for actuaries — the stock market. My experience as an actuary working for a member firm of the New York Stock Exchange leads me to conclude that the traditional skills associated with actuarial training are quite appropriate for the activities of a stock brokerage.

To be sure, my firm is highly specialized. Our primary focus is to provide investment research opinions on insurance companies to institutional investors. Transactions are conducted through our own trading desk and we "make a market" in a number of over-the-counter issues. The chief advantage an actuary has in this area is conceptual familiarity with the technical aspects of a company's operations that are critical in formulating an investment option. Having reached an opinion, the greatest challenge for an actuary is communicating the technical basis for the opinion in a meaningful way to investors of widely varying degrees of insurance knowledge. The "story" must hold together, but cannot rely on analysis expressed in a manner beyond the reasonable grasp of portfolio managers, who themselves may be considering dozens of other companies in any number of industries.

The five actuaries in my firm also participate in another somewhat related

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Non-traditional Perspectives

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non-traditional field. Our in-house portfolio managers currently perform investment services for over 40 insurance companies. Here, our actuaries may be asked to help develop the investment strategy for a company, particularly with regard to asset-liability management. While non-traditional by definition, this type of activity is quickly becoming a "normal" actuarial function in many insurance companies.

A third area in which actuaries play non-traditional roles in our firm is in our management consulting/industry research activities. Our subject matter here is generally in the realm of broad strategic considerations. Many of the projects relate to the financing, purchase, or sale of a company and it is not uncommon for us to enter the picture after an actuarial valuation already has been performed. We often find that general management consultants, investment bankers, and senior management, itself, may need help in identifying/optimizing the strategic implications of such information.

In terms of generic skills, each of the various functions I've discussed basically consists of converting technical knowledge into a useful business decision and communicating the result to a non-actuarial audience. The key word, of course, is communication. Since Preston Bassett's editorial (November 1984) on communication skills, *The Actuary* has seen a marked increase in the number of articles dealing with this subject in one respect or another. Most, I would submit, are of the tone that actuaries generally lack communications skills commensurate with their analytical abilities. Without passing judgment on this issue, I think it is safe to assert that this is the traditional view held by non-actuaries who have dealt with actuaries in traditional settings.

Fortunately, in the non-traditional environment I have described, one is freed from this perception to a large extent. Institutional investors don't know that actuaries are not supposed to be able to communicate since the actuaries with whom they deal are usually CFO's or CEO's — typically people with demonstrated communications skills. In fact, most of our clients, as well as a good number of my colleagues at work, do not know who in the firm is an actuary. Those who can identify the actuaries would be extremely hard-pressed to explain what an actuary is.

This lack of familiarity has other benefits, as well. For example, actuaries in non-traditional areas can feel free to express viewpoints on subjects ranging from marketing to organizational design (and importantly, financial matters) without the audience bracing themselves for an "overly-conservative" or "uncreative" perspective.

Of course, a degree of cross-training is necessary to achieve this type of environment. All of the actuaries in my firm are either M.B.A.'s or registered "reps". We also have a number of C.P.A.'s and C.F.A.'s, all of whom are also M.B.A.'s and/or registered reps.

I'd like to use this idea of cross-training as a framework to put forth a few ideas from a non-traditional perspective on the current state of actuarial practice in North America. First, I see no reason why actuaries are not more involved in investment activities, such as they are in the United Kingdom. While this point is probably not controversial, my second contention that life and property-casualty actuarial training be unified may inspire some comment. Detractors may argue that this would pack much more material into the exams, about half of which, on average, would be totally foreign to the work experience of the student. Certainly, the number of people who cross industry lines in their careers is limited.

My response (and I am a member of an exam part committee) would be that elimination of irrelevant and/or redundant material currently on the exams could provide ample margin for fresh material. As to the limited number of life-PC careers, it may well be a matter of distinguishing cause and effect. I personally think that an actuary, as a professional, should be reasonably well-versed on all major insurance businesses.

In closing, I'll try to smooth any feathers ruffled by my foregoing comments on the exams and explain why I believe the process is particularly important for those considering non-traditional areas. Yes, students may rightly feel that much of the study material is redundant, irrelevant or even unintelligible. It is also true that exam questions may sometimes seem ambiguous and ill-defined; or they may seem ridiculously detailed. However, students who feel that the exams are therefore poor preparation for their careers, whether traditional or non-traditional, should realize that it is these characteristics which are most like "real life". This is not to say we should strive for an imperfect exam process, but rather that such imperfections are a natural consequence of passing a large and changing body of information through the imperfect screen of human communications — remembering that communications is not just conveying what one means, *but understanding what others are trying to convey.*

This is a particularly important realization for students considering non-traditional careers, where communications generally can be expected to play a major role. Finally, of course, such students should recognize that it is the technical content of the exams, however steeped in minutiae, which provides the actuary with a niche in the non-traditional environment. □

FROM USURY TO INTEREST

By Murray Projector

USURY: Definitions

(1) The lending out of money with an interest charge for its use: the taking or practice of taking interest.

(2) An unconscionable or exorbitant rate or amount of interest, specifically interest in excess of a legal rate charged to a borrower for the use of money.

Between definitions (1) and (2) are 2,000 years of Western history, beginning with Biblical strictures against charging *any* interest and reaching today's sophisticated credit economy, in which interest, per se, is accepted and only excessive interest is illegal.

The narrow concern in mathematics is usually with the mathematics of interest, how it is measured, and how it functions mathematically. It is difficult to understand why such an essential factor in business and commerce was ever outlawed, and why usurers (i.e., takers of *any* interest) were despised as heinous criminals. A broader concern is desirable.

The 2,000 year struggle which changed the status of interest from a malevolent to a benevolent factor was not monotonic; there were advances

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