



SOCIETY OF ACTUARIES

Article from:

# The Actuary

January 1988 – Volume 22, No. 1

*Editorial Cont'd.*

them. Regulations promised a year or two ago are still not published. Questions remain unanswered for months, sometimes years. New statistical tests required under the Tax Reform Act of 1986 for group life and health insurance will only add to the burden of regulation and enforcement for the IRS. Experts at the IRS are in short supply, especially in offices around the country. Answers to the same question vary; sometimes, the answer is simply not known. Some questions are never put to the IRS because plan sponsors and their advisors cannot wait the length of time it takes to get answers. But sponsors still face risks of excise taxes and interest penalties for serious mistakes.

Endless reporting and testing by plan sponsors are performed as faithfully and carefully as possible. Increasing time and expense are spent in attempting to comply with the mounting complexity. The reports are completed, checked, mailed to the appropriate agency in Washington, D.C., received in huge bags of mail, opened, and then much later filed

away, rarely ever to be examined or even looked at again. Paper accumulates; eventually the reports will be thrown away. But they require attention—administration that serves no useful purpose. There are caretakers of never-used documents.

### **Simplify**

The target of most of these efforts in the employee benefit field is the small company. In a simpler world we could do one of two things: have special rules that apply only to small companies or simplify the rules for all plans, recognizing that no set of rules or regulations will be 100% foolproof or perfect no matter how complex. Simplicity has virtues all its own. Simple rules will encourage employers to adopt employee benefit programs with the important benefit to the country of adequate health insurance and adequate pension benefits to supplement Social Security. We need to save more as a nation. How better to do it than through employee benefit programs?

### **A Proposal**

Many experts in the field of employee benefits agree that the tax code can

be simplified while preventing abuses without the excessive number of rules, regulations and reporting requirements that have blossomed ever more frequently in recent years. The White House should convene a small group of leading practitioners in each of the professions involved in the employee benefits field and give them a twelve-month period in which to develop a simpler employee benefits tax code. It is important that this panel be selected only for its competence and that it work out of the limelight of publicity. Its members should pledge that they will seek no commercial advantage from their respective roles. Their work will help to preserve the very best features of the employee benefit programs now in operation while preventing individuals from unfairly using the provisions of the tax code solely for their benefit and not for the benefit of those they employ.

There invariably exists a simple solution. However, it takes someone familiar with the field to seek out and find the solution.

## **Presidential Editorial**

# **Major Issues Facing the Society**

by Gary Corbett

As I embark on my year as President of the Society, we face a number of issues. Most of them reach back to Harold Ingraham's term and even before. In an organization like the Society, it is virtually impossible to complete an initiative within a President's one-year term. Thus, to move the Society ahead, successive Presidents must share consistent goals and objectives. This consistency is aided by the policy that the President-Elect chair the Society's Committee on Planning which, in reality, is a committee on issues. In this role he or she can lay the groundwork for issues to be pursued during his or her Presidential term.

The major issues I see facing the Society are: education and examinations, research, actuarial principles, strengthening the profession, the future of the actuary/the actuary of the future, and employee benefits.

### **Education and Examinations**

At the October 1987 annual meeting, the Board of Governors voted to proceed with all the Flexible Education Method proposals outlined in the White Paper distributed to members earlier in 1987. However, when it came to college credit, the Board decided to establish an experimental program, limited to the former Part 3 subjects, starting with the 1990 academic year. The entire college credit proposal will be evaluated in light of the experience with intensive seminars and the college credit experiment. It was tempting to defer completely the decision on granting credit for university courses. However, a deferral would have accomplished nothing. We would know no more five years from now concerning the advantages and disadvantages of college credit if we did nothing in the interim. Many members feel there are significant advantages to be gained by alter-

native education and credit-granting methods; others feel just as strongly that the proposal would weaken the value of the Associateship and Fellowship designations. We will never know who is right until the concept is tested. For this reason, the experimental program received the unanimous approval of the Board.

The Education Policy Committee will evaluate a far-reaching concept to reduce significantly the number of subjects in which the Society educates and examines. The subjects would be restricted to those that are absolutely necessary for an actuary and unique to the actuarial profession. Over and above this limited number of courses, education, generally at the university level, would be required in other subjects such as accounting and economics. This concept, known as the Swift Proposal, both because it

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would speed progress through the examinations and because it was modestly labeled "A Modest Proposal" by its originator, is at this stage only a concept. It will require considerable investigation and discussion before becoming an actual proposal.

**Research**

Anna Maria Rappaport is chairing a Task Force to Review and Revitalize Society of Actuaries Research. The Task Force presented a preliminary report to the Board in October 1987 and is on schedule to produce a final report for October 1988. The Task Force is likely to recommend a considerable expansion in the Society's research activities and significant modifications to how such research is initiated and managed. The Society, at least in recent years, has been far more active and successful in its education than in its research role.

**Actuarial Principles**

In 1986, the Board of Governors determined that the Society should articulate actuarial principles that would serve as a basis for standards of practice developed by the Actuarial Standards Board and the Canadian Institute of Actuaries. To date, the only principles working their way through the articulation process are those for life insurance company valuations. We are setting up a Task Force to further define actuarial principles and to determine the areas where those principles need to be articulated and how to develop such principles for membership exposure.

**Strengthening the Profession**

The six North American actuarial bodies (AAA, ASPA, CAPP, CAS, CIA, and SOA) have established a Task Force to "explore how to strengthen the actuarial profession and to consider whether restructuring the organization of the profession would be helpful in achieving this goal." The Task Force, which reports to the Council of Presidents, is composed of two representatives from each of the six bodies plus two at-large members. It is hoped that a consensus will develop amongst the boards of the six organizations in time for a meeting of the combined boards in connection with the 1989 Centennial Meeting.

Our members should be aware of my position regarding any possible restructuring of the actuarial profession in North America. As I said in my acceptance speeches in both 1986 and 1987, I am committed to the inter-

national role of the Society. Because of my two-country background, I may see the benefits of the Society's multinational structure more clearly than do others. Nevertheless, I am convinced that any restructuring that does not provide for the continuation of a joint Canada/U.S. education and research organization would constitute a severe loss to our members on both sides of the border.

**The Future of the Actuary/  
The Actuary of the Future**

The Society's leadership, primarily in the Committee on Planning, has been discussing for a number of years how we can better prepare our members to function in this changing world, concentrating on how we could make the FSA designation and all that it entails more valuable.

This year we widened the focus from what had been primarily an inward look at the actuary of today to an outward look of the actuary of tomorrow, the actuary of the 21st century—a century in which our current members will collectively spend most of their careers. You've seen a number of articles on this subject, including one by me in the November 1987 issue of *The Actuary*. Additionally, we are scheduling discussions of this subject at all Society meetings in 1988. We started with a well-attended open forum at the Montreal annual meeting in October 1987. We have established a Task Force, chaired by Jim Murphy, to undertake an in-depth study and report recommendations to the Board a year from now. In addition, I have assigned Vice President Allan Affleck the responsibility of assuring that all areas of the Society (E&E, Services to Members, Research, Publications) appropriately recognize the changing role of the actuary in all of their policy decisions.

**Employee Benefits**

In recent years, the Society has striven to make the FSA designation of greater value to employee benefits actuaries. We are engaged in a major upgrading of study notes in the Group and Pension areas; the Pension Section is active; we have solid pension content in our programs—for instance, the Society meeting in Anaheim in April 1988 will be devoted to employee benefits; and we are planning a Fall 1988 symposium on the funding of post-retirement benefits. Vice President Rob Dowsett will be ensuring that all areas of the Society

continue to devote sufficient attention to the needs of employee benefits actuaries.

**Committee on Planning**

The Committee on Planning, chaired by President-Elect Ian Rolland, will be considering additional issues such as governance, the role of universities in actuarial education and research, and the Society's planning process. Ian will undoubtedly assign other issues to be developed in preparation for his taking office next October.

The responsibilities of the Executive Committee members for next year are:

- President Gary Corbett—writing editorials for *The Actuary* and other Presidential duties
- President-Elect Ian Rolland—Committee on Planning
- Vice President Mike McGuinness—Education and Examination
- Vice President John Montgomery—Services to Members
- Vice President Steve Radcliffe—Principles, Valuation, Career Development and Public Relations
- Vice President Irwin Vanderhoof—Research and Studies
- Vice President Allan Affleck—Oversight responsibility for The Future of the Actuary/The Actuary of the Future
- Vice President Rob Dowsett—Oversight responsibility for Employee Benefits
- Secretary Tony Spano—Secretary, including Publications
- Treasurer Mike Cowell—Treasurer, including Administration and Finance
- Immediate Past President Harold Ingraham, Jr.—Sections and Guides to Professional Conduct

On behalf of all the officers and governors, we thank you for the confidence you've expressed by electing us to conduct the affairs of your Society for the coming year. If you have any questions or comments in our respective areas of responsibility, please let us know. We do promise you our best efforts to advance the interests of the actuarial profession, the Society and its members.

**In Memoriam**

- John A. Bradford A.S.A. 1969
- J. Louis Constantin A.S.A. 1961
- David C. Wetter F.S.A. 1977
- John C. Wooddy F.S.A. 1954