



SOCIETY OF ACTUARIES

Article from:

The Actuary

February 1989 – Volume 23, No. 2

Book Review

George H. Andrews and John A. Beekman, *Actuarial Projections for the Old-Age, Survivors, and Disability Insurance Program of Social Security in the United States of America*, pp. 193, Actuarial Education and Research Fund, Itasca, IL 60143, 1987.

Summary of review by Robert J. Myers

This monograph provides an independent overview of the assumptions and methodology behind the OASDI estimates made by the Social Security Administration. Such information has heretofore been available only in the annual reports of the Board of Trustees of the OASDI Trust Funds, in the Actuarial Studies issued by the SSA, and in writings by individuals closely associated with the system.

The contents of the seven chapters are:

Chapter 1 provisions of OASDI (more detail in an appendix)

Chapter 2 demographic assumptions and population projection

Chapter 3 economic assumptions behind the actuarial estimates

Chapter 4 the methodology involved using the assumptions in the second and third chapters to make the long-range projections of numbers of covered workers, insured persons, retired workers, taxable payroll, and GNP

Chapter 5 the special features of the short-range (5-year) estimates

Chapter 6 the special features of the long-range (75-year) estimates

Chapter 7 overview of the short and long-range estimates, why they are needed, with descriptions of several measures of actuarial soundness

Addendum possible future similar studies (e.g., the Medicare program)

The monograph endorses the work of the SSA staff over the years for making available a "wealth of excellent material." The authors have performed a great service to interested parties by condensing the great amount of information involved into a very usable study. The review ends with this recommendation: "The monograph is truly excellent and should be made 'required reading' for any actuary or nonactuary who is interested in the OASDI system."

This book is available for loan from the Society of Actuaries library. Robert J. Myers, Professor Emeritus at Temple University, is a Past President of the Society of Actuaries, former Chief Actuary of the Social Security Administration, and author of numerous papers and a book on the U.S. Social Security system.

Overview of new book

Daniel F. McGinn, *Corporate Retirement Plans: An Actuarial Perspective*, pp. 179 and 5 Appendices, International Foundation of Employee Benefit Plans, Brookfield, WI 53008-0069, 1988

(Ed. note: The following is a brief overview of the above-named book. A formal review of the book will appear in the TSA.)

A main assertion of the book is that Congressional action is needed to halt the decline in the number of defined benefit retirement plans and the number of American workers covered by them. Unless some relief is granted for sponsoring corporations of well-funded plans, Congress will be forced to impose progressively higher Social Security taxes to support higher Social Security benefits needed to replace the benefits lost by the destruction of the private retirement system.

The book begins with a review of the roles played by the federal government and the advisors required in the design, administration, and fund investment of retirement plans. The features of each major type of plan are analyzed and evaluated from the perspective of the retirement security provided plan participants.

Next considered is the impact on plans of federal laws and regulations adopted by federal agencies since ERISA. The author maintains that growth of defined benefit plans has been stifled by burgeoning termination insurance premiums and complicated benefit and contribution limitations. Another factor in their decline is the employer perception that the corporation is exposed to great financial risk (with little employer control over costs) once a plan is adopted. Coincidentally, defined contribution plans have grown due to their relatively greater simplicity and attractiveness to young employees.

The author describes the beneficial changes to all plans resulting from the federally mandated protection of a vested employee's spouse upon the employee's premature death. He also discusses the confusing rules that apply when a company sponsors more than one type of plan.

As the title suggests, much of the book deals with the great array of plan design, actuarial funding, and asset projection issues of defined benefit plans that must be addressed by a corporate sponsor. Included is the new approach to corporate pension accounting adopted by the FASB.

Finally, the author addresses the corporate strategies used to terminate defined benefit plans and benefits from asset reversions. Recent tax reform measures and legislation enacted as a result of reactions to the Department of Labor and the PBGC are further disincentives to establishing or maintaining defined benefit plans.