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sector retirement plans are traditional DB programs. Many public employees may also participate in Internal Revenue Code (IRC) Section 457 deferred compensation plans, nearly all of which are funded solely by employee contributions. (A few public entities also sponsor 401(k) plans comparable to those in the private sector.) Changes likely in traditional benefit structures include:

- **More DC plans.** Although a massive shift like that experienced in the private sector is unlikely, a move to a DC plan often is perceived as being more politically feasible than creating a new, lower-tiered DB plan. Expect to see a moderate increase in activity in this area.
- **Hybrid plans.** Many of the attractive DC plan features (employee investment choices, enhanced portability, sharing investment gains, more optional benefit choices at retirement, more valuable vested benefits) can be added to an existing DB plan. One example is a money purchase minimum benefit based on some multiple of the participants's account balance. Participants also have the option to direct the investment of their account. The favorable attributes of the traditional DB plan (base level of assured retirement income, ability to add past service benefits, early retirement incentives) are preserved in a hybrid plan. Expect to see much more activity in this area.
- **Temporary retirement incentives.** Window programs have been used widely in the private sector as companies downsize or reorganize. As the methods of delivering public services change over the coming decades, well-designed temporary retirement incentive schemes can facilitate transitions in the public labor force.

None of these features are new, but each will see increased interest in coming years. Actuaries have an opportunity to play a major role in the design, implementation, and sound financing of new benefit structures as they emerge.

2) Trust funds — Contrary to widespread perceptions, public retirement plans are generally well funded. However, most have not reached maturity, and their assets will grow in real

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We need to impact emerging social policy

by George B. Swick

In my opinion, the actuarial profession has not been effective in impacting emerging social policy. In making this observation, I speak as one of a group of experienced pension actuaries who tried and largely failed to influence the direction of the Employee Retirement Income Security Act of 1974 (ERISA) particularly with respect to Title IV. Nevertheless, I believe we should continue to move forward with ideas for developing future improvements in policies relating to benefit improvements.

Some random thoughts which have occurred to me in recent years are as follows:

- In our new world and high tech economy, the means of providing retirement income, especially for short-term employment, is in need of serious thought. Long-term employment is probably a relic of the past, and we have little choice but to rely on defined contribution (DC) plans, both qualified and non-qualified.
- One important input into the equation might well result from major research into the British experiment with personal pension alternatives to both governmental and private pension schemes.
- The Social Security retirement age for unreduced benefits might be well served by adding an automatic adjustment (up or down) based upon a specific constant life expectancy as determined by life tables constructed for the entire population following each ten-year census.
- The Medicare commencement age should track the Primary Social Security age, if nothing else. Going much further, however, my own experience under Medicare has led me to speculate that Medicare might well form a desirable basic health care system for the entire population. It would:

1) Eliminate Medicaid and all other governmental health programs
2) Establish governmental Medigap coverage for those under "x" times the poverty level
3) Permit tax deductible Medigap coverage for deductibles and co-insurance but permit non-deductible coverage at any level
4) Maintain Medicare cost controls on hospitals and doctor fees
5) Significantly reduce administrative costs
6) Retain the competitive value of HMOs and PPOs, networks that will survive only if providers are able to turn a profit

Long-term care represents another area where significant actuarial expertise is required. However, it cannot be dominated by insurance companies. The investment return during the reserve build-up period would be unacceptable, similar to the old group annuities. This should be a joint project of group underwriting and 401(k) investment vehicles.

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