



SOCIETY OF ACTUARIES

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# What the SOA intends to do on Social Security issues

by Mike Sze

In the March 1995 issue of *The Actuary*, several articles focused on Social Security. The March/April 1995 issue of the American Academy of Actuaries magazine, *Contingencies*, also is filled with articles on Social Security. Many of these authors raised concern about the long-term financial health of the U.S. and Canadian social security systems.

## Profession's response

When national TV stories feature such comments as more people believe in UFOs than the survival of the Social Security system, we know from our training that things are blown out of proportion.

In previous debates on Social Security, just a handful of actuaries took an active role. As a profession, we have much experience and expertise in this area. We owe it to the public to speak up on the issues involved. That's why a Society of Actuaries task force has been formed to address these issues. Pending approval of the Board of Governors, the task force will become a permanent committee: the Committee on Social Security — Retirement and Disability Income. Current members of the task force are Joseph A. Applebaum,

Christopher M. Bone, Richard M. Kaye, David C. LeSueur, Bruce D. Schobel, Michael M. C. Sze, Marc M. Twinney, Howard Young, and Judy Anderson as the SOA staff liaison.

## Role of group

The purpose of the task force/committee is not to take a political stand on any specific issue. Its role is broad education and research on a range of potential issues. It will focus on educating actuaries and the public on the principal issues of Social Security in both the United States and Canada. It also will perform research on design alternatives for the programs.

## Issues to address

Neither the Canadian nor the U.S. system has much advance funding. In a pay-as-you-go system, the expenditure of the retired generation is supported by tax levied on the working generation. This type of cross-generational funding will produce a stable contribution pattern only under a stable population. When a "baby boom" generation is followed by a "baby bust" generation, the systems can expect to experience some financial difficulties when the "baby boom" generation retires.

Is the financial difficulty permanent?

Is the system irreparable? Are there better alternatives than the current system? These are important issues that must be addressed. The public must be educated, so they will get a more balanced understanding of the issues.

## Group's first activity

The first task of the task force/committee is a short publication aimed at the public on the OASDI in the United States. The publication will help dispel public misconception and unfounded fears arising from lack of knowledge. It will discuss:

- The current state of the Social Security system
- Potential future financial problems
- How the system got to this state
- Possible solutions to address financial problems

This publication is targeted for distribution this summer. The task force/committee welcomes any comments and suggestions. Please send your comments to Judy Anderson at the Society of Actuaries.

**Mike Sze is principal of Hewitt Associates LLC in Toronto and a member of the SOA Board of Governors.**

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## Robert Heitzman selected Academy senior pension fellow

Robert F. Heitzman, Jr. has been selected as senior pension fellow for the American Academy of Actuaries. Previously, he was partner and director of international compensation and benefits consulting for Ernst & Young LLP. He is a Fellow of the Society of Actuaries.

As senior pension fellow, Heitzman will be the actuarial profession's chief public policy liaison on pension

matters. His task will be primarily educational. By providing actuarial assistance on technical questions, he will promote the role of pension actuaries among federal regulators and legislators.

Heitzman is a 1970 graduate of Dartmouth College and began his career at Mutual Benefit Life Insurance Company. He also worked at S.M. Hyman Co. and Kwasha Lipton. Under contract with the Harvard Institute of

International Development in 1992-93, Heitzman helped craft social security and pension policy for the Ministry of Finance of Indonesia.

Heitzman has served on the board of directors and the executive committee of the Conference of Consulting Actuaries. He has published extensively in the trade press and academic journals and is the author of *Employer's Guide to Social Security*, published in 1993 by John Wiley and Sons.