



SOCIETY OF ACTUARIES

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## Initiatives grow to compare reform concepts

As suggestions mount for Social Security reform, professional organizations are attempting to help officials and the public better understand the proposals on the table.

The Employee Benefit Research Institute (EBRI) has announced a major initiative to provide meaningful comparison of major proposals. Initial research results will be discussed at an EBRI-hosted policy forum on December 4 in Washington, D.C. Data analysis will be published later in a series of issue briefs.

"Advocates of various plans to restructure Social Security understandably put the most positive spin on their proposals, but this makes sensible choices difficult," said EBRI President Dallas Salisbury. EBRI plans to evaluate the proposals with common assumptions using an economic simulation model. Labeled EBRI-SSASIM, the model should allow comparison on a more "apples to apples" basis, Salisbury said.

More information is available from Jack VanDerhei, EBRI's research director, at 202/775-6327.

The American Academy of Actuaries has issued a monograph and three issue briefs on crucial aspects of Social Security reform. The 8-page monograph, *Solutions to Social Security's and Medicare's Financial Problems*, provided an overview of those programs' states of solvency and offered synopses of proposed solutions. Last spring, proposals for privatization were reviewed in two briefs. *Social Security Privatization: Individual Accounts* and *Social Security Privatization: Trust Fund Investment* looked at individual and group approaches to placing Social Security funds in private investments. The third brief, *Means Testing for Social Security*, published last month, looks at the impact of proposed means testing of beneficiaries' income and assets.

Further information is available from the Academy at 202/223-8196.

## EDITORIAL

### A tribute

by Warren Luckner  
SOA Director of Research

**T**oo often, we don't pay tribute to someone until they are gone. This article falls into that category. It intends, in some small way, to acknowledge the contributions to the actuarial profession of three actuaries who are no longer with us. But it also was written to remind us of the contributions of all actuaries still among us who are making a personal sacrifice of time and energy to better the actuarial profession. They are the hundreds of volunteers serving on the many committees, task forces, project oversight groups, and working groups of the various actuarial organizations worldwide.

To single out certain dedicated, long-time volunteers is dangerous. You always run the risk of unintentionally offending other volunteers not named. However, I am going to take that risk.

I believe the three volunteers I am going to mention in this article were exceptional in their commitment.

Since November 1995, Warren R. Adams, FSA 1964; Edward A. Lew, FSA 1934; and Charles Barry H. Watson, FSA 1959, have passed away. All were actively involved in professional commitments at the time of their death. They gave a collective total of more than 125 years of service to the Society of Actuaries, making significant contributions to the profession throughout the years since they received their FSA designations.

This is not the place to enumerate their many contributions. Previous issues of *The Actuary* have already done that (Warren Adams, January 1996; Ed Lew, September 1996; Barry Watson, October 1996). However, I would like to note some special achievements. Warren Adams had an actuarial career in both academe and business, and he served as the Society of Actuaries' first

director of education. Ed Lew served as SOA president in 1973-74 and was instrumental in establishing the annual Actuarial Research Conference and ARCH. Barry Watson was an international benefits consultant and served as an executive director of the SOA. Perhaps what their tireless efforts most exemplify is that they felt a strong commitment to the actuarial profession, and they lived that commitment.

We have lost significant contributors, but one of the strengths of the actuarial profession is the tradition of individuals who are willing to serve the profession. That leads me to the other purpose of this article.

In the "busyness" of our lives, we often don't take the time to say "Thanks." So here's a big "Thank You" to all who are working to ensure that the actuarial profession will continue to thrive and make a meaningful contribution to the financial security of all members of society.

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## Canada's Social Security issues (continued from page 1)

constrained to "number crunching" instead of giving policy advice. Many of these actuaries actually prefer to limit their involvement to estimating the financial effects of others' proposals. The American Academy of Actuaries comments on the financial status of the OASDI program and submits testimony at appropriate times, but the Academy would be the first to admit that its views do not always receive special consideration, even when the issues are actuarial in nature.

In marked contrast, Canadian politicians have requested the assistance of the CIA on several occasions. It has eagerly participated in policymaking at this level, most recently with its task force report. Canadian politicians actually appear to be uncomfortable moving forward without actuarial involvement. (Of course, seeking advice and following it can be two different things.)

### U.S. political system vs. Canadian system

The different political systems in the two countries probably account for some of the differences in approach. The two major U.S. political parties have become increasingly adversarial over the years, making bipartisan action on most issues more difficult. Also, parts of the legislative and executive branches of government are often controlled by different parties (the case in 1983, for example, and the case today).

With Congressional elections held every two years, the possibility of power shifting from one party to the other always exists. Congressional districts are so large (about 600,000 people each) that few citizens know their representatives personally.

Finally, elections are largely influenced by increasingly negative mass media political advertising. In this rancorous atmosphere, nobody is in a hurry to take action that could be regarded negatively by a substantial portion of the voting population. Often they postpone action until every possibility for delay has been exhausted.

Actuaries look into the future as a matter of course. Many treat virtually certain future events as if they were happening today and prefer to act accordingly. Therefore, the involvement of actuaries is not conducive to the delays toward which the political process is inclined.

My comments on the Canadian political system are based only on second-hand information. With that caveat, I believe Canada's parliamentary system is less rancorous and, by design, does not have the problems caused by split control between the executive and the legislative branches as in the United States. Voters know their Members of Parliament and can discuss important issues with the candidates face-to-face before voting. Political advertising is not permitted to be so easily slanted. (Canada does not have a law like the U.S. Constitution's First Amendment.) In Canada, action is highly prized. In fact, failure to take action in the face of obvious developing problems would likely be regarded as irresponsible.

Knowing that appropriate action is expected, Canadian politicians seek the best advice that they can get — and then act on it, or at least act. I can't explain why Canadian actuaries aren't competing more with economists. Maybe a lot of Canadian economists went south to the United States, where people hang on economists' every word.

Finally, and this is important, changing a social insurance program in Canada requires an exceptional degree of compromise, because two-thirds of the provinces must agree.

I am not suggesting that the United States should be more like Canada in every way. For example, to have Canada's ratio of population to representatives, the United States would need a Congress ten times its present size. I also wouldn't recommend repeal of the First Amendment. Queen Elizabeth is unlikely to appear on redesigned U.S. currency. Still, it was very refreshing to see actuaries specifically invited to participate in social

security policymaking and taken seriously. I believe that the problems facing the U.S. program would be solved better — and certainly sooner — if actuaries played a larger role.

**Bruce D. Schobel is corporate vice president and actuary, New York Life Insurance Co. He serves on the SOA Committee on Social Security — Retirement and Disability Income.**

*Bruce MacDonald, The Actuary's Canadian assistant editor, adds the following comments.*

Canadians may be surprised by this author's favorable comparison of our parliament with the American legislature and the suggestion that our parties are less rancorous, as well as by the impression that our politicians take action promptly. But then, Canadians do not regard their country as favorably as the rest of the world does. We're always surprised when United Nations surveys reveal Canada to be the best place in the world to live.

## A tribute (continued from page 3)

These words of gratitude won't put money in your pocket, but I suspect most, if not all, of you who contribute time and energy to any organization do so for reasons other than financial gain. I hope my "Thank You" will mean something to our volunteers. If you know someone who is a volunteer, and most of us do, say "Thank You" — in person if you can, or in a note. But say it now. Don't wait; "someday" may be too late.

**Editors note:** *As this issue went to press, the SOA learned of the death of SOA 1970-71 President Edwin B. Lancaster, FSA 1949. His obituary will appear in a later issue.*