TRANSACTIONS OF SOCIETY OF ACTUARIES
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TOPICS OF INTEREST TO GOVERNMENT ACTUARIES

A. In what ways have nongovernment actuaries served their government (at federal, state, provincial, or local level) by (1) being on advisory committees, (2) accepting temporary appointments, or (3) testifying on pending legislation? What role should the Society play in this field? In what ways can there be greater utilization of nongovernment actuaries in this field?

B. What methods of recruitment of actuarial personnel for government service are followed? What is the general response to announced examinations? What can be done to interest students in government actuarial work?

C. What mortality experiences or mortality tables have recently been developed under government insurance or retirement systems that would be of value to actuaries with insurance companies or in consulting work?

D. In connection with valuations of domestic insurance companies, are insurance departments using methods involving complete, duplicate valuation, or are spot checking or random sampling methods being utilized? Will the increased use of electronic equipment for insurance company records pose new problems to insurance departments?

E. In regard to meetings of the Society, what effect do the following factors have as to attendance by actuaries in government service:
   1. Insufficient budget of agency?
   2. Inadequate travel allowances paid?
   3. Topics and discussions on matters not of interest?
   4. Lack of appreciation of the value of the meetings by nonactuarial superiors?

   What can be done to overcome these difficulties?

F. What changes have recently been made in retirement systems for government employees, and what are their implications on private pension plans and general social security systems?

G. What supervision of trusteed private pension plans and nonprofit medical and hospitalization organizations (such as Blue Cross and Blue Shield) is currently undertaken by insurance departments? What plans or legislation are in process to extend such supervision?

MR. D. C. BRONSON stated that nongovernment actuaries have freely served on state and local government committees such as those concerned with local pension problems, unemployment insurance, workmen's compensation, state disability laws and many others. At least one Fellow of our Society has been a member of his state's legislature. Advisory committee work for the federal government by members of our profession has been frequent. An outstanding example is the initial actuarial advisory body to the Committee on Economic Security prior to the

enactment of the Social Security Act in 1935 and subsequent Advisory Councils relative to the Act. Outside actuaries have served on veterans' insurance bodies, on federal Civil Service retirement boards or committees and also in connection with the Railroad Retirement Act. As regards actual employment of outside actuaries by the federal government on a temporary basis, a notable example was the appointment in the second decade of this century of Professor J. W. Glover (a Fellow and charter member of the American Institute of Actuaries) as Expert Special Agent of the Bureau of the Census to bring forth the monumental work *United States Life Tables, 1890, 1901, 1910, and 1901–1910.* Consulting actuaries have frequently been hired for government assignments. For example, The Wyatt Company has done contract work for the Federal Deposit Insurance Corporation, the Atomic Energy Commission, the Panama Canal Company, the Public Housing Administration, and other agencies.

MR. PATRICK CARRIGAN pointed out that nongovernment actuaries have played a prominent role in the development of federal insurance programs for members and veterans of the armed forces. The Actuarial Society of America at its annual meeting in May 1917 adopted a resolution tendering the services of the Society to the governments of the United States and Canada. In the same year, an advisory committee representing the insurance industry was appointed by the Secretary of the Treasury to confer with him in drafting a program of insurance and indemnity for members of the armed forces. Several actuaries, including the President and Vice President of the American Institute of Actuaries, were appointed to this committee. Later, a number of actuaries were appointed to an advisory board created by the Bureau of War Risk Insurance, Treasury Department, to aid in putting the resulting legislation into effect. In 1943 an Actuarial Advisory Committee consisting of five outstanding nongovernment actuaries was appointed to discuss and review the work and recommendations of the Veterans Administration actuarial staff, principally on matters involving judgment as to probable future trends. Each year the Committee meets with representatives of the Veterans Administration to discuss the various aspects of the financial administration of the Government Life Insurance and National Service Life Insurance Trust Funds.

MR. R. A. HOHAUS believed there was good utilization of nongovernment actuaries by the federal government but suggested the desirability of greater utilization at the state level, particularly in the areas of unemployment insurance and retirement plans for state and local employees. He proposed that a questionnaire be sent to the membership in order to ascertain the existing extent of such activity.

MR. DEAN WALL of the Missouri Insurance Department felt that

much pension work for government units has been done by consulting actuaries who have been instructed to draw up a retirement program providing certain rather liberal benefits, without sufficient consideration being given by the responsible authorities to the ability of the organization concerned to meet the costs of the suggested programs.

MR. RICHARD HUMPHRYS stated that the Department of Insurance of Canada, while it has a highly competent actuarial staff, tends to be called upon for actuarial advice only on the technical aspects and possible results of policy proposals. It is not, at least on any public basis, called upon for actuarial advice on aspects of policy proposals that might involve political controversy. In the latter connection, nongovernment actuaries could render valuable service to the Canadian Government and to the country as a whole.

MR. JOSEPH MUSHER described at length the difficulties which he encountered, in his former position as Chief Actuary of the Railroad Retirement Board, in recruiting persons for actuarial positions. Civil Service examinations for actuaries were given in 1952 and 1956 (the latter one is still open), and were widely publicized by hundreds of announcements sent to students, to examination candidates, to actuarial clubs, and to universities offering actuarial courses. In each case, the register of successful candidates established as a result of the examination contained less than a dozen names. Some of those on the register were no longer interested when contacted. The Railroad Retirement Board was able to fill one or two positions in the lowest grades but was unsuccessful in finding qualified persons for higher level positions. The principal reason for the failure seems to be that the salaries for actuarial positions in the federal government are not competitive with those of outside jobs requiring comparable training and experience. In addition to the difficulties in recruiting, there is a serious problem in retaining qualified employees. The Civil Service Commission has officially recognized the shortage of mathematicians and physicists, and has permitted federal agencies to offer them the top salary of the grade. The only such concession made in the case of actuaries is limited to the Bureau of Old-Age and Survivors Insurance in Baltimore. The Railroad Retirement Board recently succeeded in filling two actuarial positions at the top of the lowest grade by designating them as mathematicians. Partial remedies proposed by Mr. Musher included (1) reclassification of jobs, (2) allocation of available individuals among agencies according to degree of need, (3) special salary treatment as already applied to mathematicians and physicists, (4) relaxation of prohibition against employment of noncitizens in fields where a serious shortage exists, and (5) a positive selling program emphasizing the various advantages of federal employment.

MR. E. E. CLARKE explained that most actuaries in Canadian Government work are employed by the federal Department of Insurance. Besides the supervision of all the major life insurance companies operating in Canada, the Department assists and advises other Departments on almost all phases of government work of an actuarial nature. Exceptions are the Government Annuities program in the Department of Labour, which employs an Associate of the Society, the construction of population mortality tables in the Dominion Bureau of Statistics, and the Old-Age Security program in the Department of National Health and Welfare. The Department of Insurance now employs seven Fellows and seven Associates and has several students in various stages of examination.

While recruitment of actuarial personnel is ostensibly the responsibility of the Civil Service Commission, the Department of Insurance takes a very active part. Each year the Commission sets up countrywide competitions for permanent actuarial assistants and student assistants. Informational circulars are distributed to colleges and universities and posted in public places throughout the country, and newspaper advertisements are also used. The Department reviews the contents of the circulars before publication. Department representatives accompany Commission recruiting teams on visits to universities, and frequently talks to students in mathematics courses are arranged. Usually the Department representative is a recent graduate of the university being visited. Up to now, the most effective means of getting permanent actuarial personnel has been the hiring of university students as student actuarial assistants during the summer. As much as possible, these people are given varied and interesting tasks, and a number of them come back as permanent employees.

Mr. Wall suggested a survey of private positions most comparable to actuarial positions in government to see how salaries and working conditions compare. MR. E. J. MULLEN expressed doubt that salaries for actuarial positions in the United States Government could be made competitive within the present Civil Service structure.

MR. S. H. HARRIS presented Tables 1, 2 and 3, indicating recent mortality and disability premium waiver experience under the National Service Life Insurance program, as well as the mortality experience under life income settlement options. The group covered is predominantly male. The analysis is based on the amounts of insurance—with a maximum policy of $10,000, the chance of selection is limited. The experience is an ultimate one, since new issues of permanent plans arise from conversions of existing term policies and the term experience is based only on renewed policies. The disability rates obtained measure the chance of commencing, at a given age, a disability which will complete the 6-month waiting period.

TABLE 1

NATIONAL SERVICE LIFE INSURANCE MORTALITY EXPERIENCE*
FOR 1951–52

Attained Age Group	Exposure (Millions)	Percent Distribution of Exposure	Actual Claims (Thousands)	Ratio of Actual to Expected Claims	
				American Experience	Intercompany 1947–51 (years 6–15 inclusive)
	Premium Paying Permanent Plans				
Under 28	$ 4,487	24.7%	$ 4,595	13%	104%
28–32	5,758	31.7	5,699	12	96
33–37	4,106	22.5	5,152	14	92
38–42	2,227	12.3	4,658	22	93
43–47	1,161	6.4	4,399	35	102
48–52	310	1.7	2,032	50	109
53–57	91	0.5	1,071	67	128
58 and over	35	0.2	689	70	130
Total	$18,175	100.0%	$28,295	18%	99%
	Term Insurance				
Under 28	$ 2,452	10.7%	$ 3,243	16%	134%
28–32	6,878	30.1	8,013	14	112
33–37	5,853	25.5	9,113	18	114
38–42	3,824	16.7	9,566	26	110
43–47	2,532	11.1	11,854	43	125
48–52	869	3.8	6,527	56	123
53–57	338	1.5	4,386	74	141
58 and over	134	0.6	2,962	79	146
Total	$22,880	100.0%	$55,664	26%	121%

* Excluding claims traceable to the extra hazards of war service.

TABLE 1—*Continued*

COMPARISON OF MORTALITY RATES ($1{,}000q_x$)

AGE	NSLI 1951–52 EXPERIENCE		1941 CSO	TABLE X_{17}
	Permanent Plans	Term		
20	1.11	1.39	2.43	1.46
30	0.97	1.19	3.56	1.82
40	2.30	2.76	6.18	3.30
50	6.81	8.24	12.32	7.84
60	18.95	22.31	26.59	20.20
70	42.43	49.97	59.30	49.79

TABLE 2

NATIONAL SERVICE LIFE INSURANCE DISABILITY PREMIUM WAIVER EXPERIENCE FOR 1951–52

Age	$1{,}000r_x$
20	.755
25	.805
30	.855
35	.925
40	1.260
45	2.065
50	3.635
55	6.395

TABLE 3

NATIONAL SERVICE LIFE INSURANCE MORTALITY EXPERIENCE UNDER LIFE INCOME SETTLEMENT OPTIONS, 1949–54

Attained Age Group	Exposure (Monthly Income, Thousands)	Percent Distribution of Exposure	Actual Claims (Thousands)	Ratio of Actual to Expected Claims	
				a–1949	ELAS
	Females				
Under 30	$ 1,595	2.2%	$ 1.7	200%	211%
30–39	4,250	5.9	7.5	178	188
40–49	10,746	14.9	45.2	194	223
50–59	26,320	36.6	196.4	155	198
60–69	22,084	30.7	378.5	148	205
70–79	6,346	8.9	251.7	131	178
80 and over	583	0.8	48.2	96	117
Total	$72,014	100.0%	$929.2	142%	189%
	Males				
Under 30	$ 255	1.3%	$ 0.4	250%	263%
30–39	234	1.2	0.8	214	224
40–49	1,164	5.9	8.0	162	188
50–59	6,106	31.1	82.1	122	156
60–69	7,891	40.1	203.9	116	162
70–79	3,470	17.7	183.1	108	146
80 and over	538	2.7	56.2	90	104
Total	$19,658	100.0%	$534.5	111%	147%

COMPARISON OF MORTALITY RATES ($1{,}000q_x$)

Age	Females			Males		
	1955 Beneficiary Mortality Table	*a*–1949	ELAS Life Income	1955 Beneficiary Mortality Table	*a*–1949	ELAS Life Income
20	0.81	0.38	0.36	1.37	0.62	0.59
30	1.26	0.68	0.64	1.64	1.00	0.96
40	2.77	1.36	1.27	3.38	2.02	1.90
50	5.45	3.11	2.58	8.40	6.56	5.43
60	11.26	7.50	5.51	18.44	15.66	11.74
70	29.6	20.96	15.06	39.46	35.09	24.88
80	67.4	61.42	47.31	87.63	85.50	68.89

MR. J. G. FLETCHER presented the experience (by contracts) between 1948 and 1953 anniversaries for ages 50 and over of immediate annuities sold under the Canadian Government Annuities system. This system was founded in 1908 to sell deferred and immediate annuities at net rates to residents of Canada, in the hope that citizens would thus

CANADIAN GOVERNMENT ANNUITIES SYSTEM
MORTALITY EXPERIENCE AT AGES
50 AND OVER,* 1948–53

POLICY YEAR	EXPOSED	DEATHS	RATIO OF ACTUAL TO EXPECTED†
	Males		
1	2,117	62	82%
2 and 3	6,253	225	86
4 and 5	6,389	300	98
6 and over	22,336	1,337	106
Total	37,095	1,924	101%
	Females		
1	3,293	37	58%
2 and 3	10,588	204	94
4 and 5	12,033	281	102
6 and over	55,569	2,310	114
Total	81,483	2,832	109%

* Interested persons may have the figures by 5-year age groups on request to the Director, Annuities Branch, Department of Labour, Ottawa, Ont.

† Based on the a–1949 table.

save for old age and that the need for old age pensions would be avoided. With that philosophy as the foundation, the government assumed the cost of operation. Agents are employed on a commission basis to sell the annuities, which may also be bought directly at post offices. Nonrefund and refund annuities were studied separately, but the figures in the accompanying table combine the two classes. The differences between them were not significant.

MR. CHARLES MEHLMAN stated that the California Insurance Department utilizes spot check or random sampling methods in connection with valuations of domestic insurance companies. The degree of spot checking usually depends on previous experience with the carrier as to

accuracy in development of the reserves, particularly as observed during the thorough check made at the periodic company examinations. In addition, the Department has for some years applied "bulk" tests, such as an over-all reserve development formula utilizing the various data available in the annual statements. Thus, the progression of the reserve from the amount reported at the previous year-end is noted.

The reserve projection formula used on life insurance, excluding group, is based on four items:

(1) reserves at the previous year-end;
(2) an exposure function based on the amount of life insurance in force at the current and previous year-end less reinsurance ceded;
(3) estimated net premium income plus increase in reserves arising from change in valuation bases, etc., but reduced by reserves released on surrenders, lapses, etc.; and
(4) reserves released on death.

With regard to these four items, particularly the last two, appropriate checks are made based on related data in the annual statements. Then appropriate factors developed from previous experience and trends on each carrier relative to mortality and interest assumptions (and based on an analysis of the gain and loss procedures of the annual statement) are applied to these items to produce the projected reserve. Any significant deviation of the reported reserves from the projected indicates a possible need for additional verification or test checks on the valuation. On the four largest domestic companies the reported reserve at the end of 1954 and 1955 did not differ from the projected by more than $\frac{1}{4}$ of 1% in any case.

MR. W. J. FOX explained that the Canadian Department of Insurance also makes extensive use of spot checks. For large companies that are highly mechanized it is the practice to check no more than one item in ten. For smaller companies a more complete check is used. The summarization of the reserves is checked completely, since it is thought there is a danger of large errors. The Department has not as yet examined a valuation carried out by means of an electronic data processing machine. However, this must be done at the end of 1956 for a company that has used an IBM 650 machine for its valuation. Discussions with this company have made it apparent that it will no longer be practicable to supply a complete listing from which every reserve of the company could be checked. Instead, the Department will receive a listing of "sample units," such a unit being somewhat larger than a group under the group method of valuation. For example, all the policies in one agency on a particular valuation basis might be a sample unit. The Department will select those units for which

more complete information is desired to check the reserves. In view of the great flexibility of the insurance law, no serious difficulties are expected from the use of the electronic data processing machine.

MR. BYRON WRIGHT stated that the New Jersey Department of Banking and Insurance now verifies the valuations of domestic life insurance companies by methods involving complete duplicate valuations. The data needed for this purpose are furnished on schedules supported by a company affidavit, and their reliability is established at the time of the triennial examination by sampling methods. The use of electronic data processing equipment for valuation will mean a basic change in insurance department procedures if full advantage is to be taken of the possibilities of such equipment. It is not expected that any New Jersey life insurance company will actually employ such machines for valuation in the immediate future, although advanced studies contemplating the use of the IBM 705 have been made by one company. The Department has decided to have some of its personnel become familiar with programmed instruction techniques for the types of machines likely to be used by domestic life insurance companies. The objective will be to have the system established by any New Jersey company of such a nature that it will be possible to eliminate preliminary valuations, reduce to a minimum the large amount of detail that has grown up in connection with present valuation procedures, and at the same time insure accuracy in the results.

Any electronic data processing system should be designed so that the Department can be satisfied that no large error can arise either in the data constituting the input into the machine or in the actual processing in the machine itself. Even the processing in the machine cannot be presumed to be infallible; built-in checks may fail to operate in the manner expected. The emphasis of the Department will be on comprehensive checks, such as having sufficient breakdowns into broad valuation groups so that inspection of results will reveal any large error in input into the machine, or computations therein. It will also be sought to reconcile the increase in reserves with independent machine calculations and also with estimates of the various components entering into the increase in reserves based on the experience of previous years. In addition to these broad checks, a limited amount of sample detailed checks will be used. However, no extensive manual checks of reserve factors and computations will be made after the program is once in operation.

In the case of a 705 system using magnetic tape with quarterly valuations, inclusion of the following procedures would be one way of attaining the objectives discussed:

1. The entire file of individual valuation records would be converted to magnetic tape and then summary amounts in force developed by valuation groups. Subsequent transactions would be summarized and then used to carry forward the summary amounts in force. The group method would be retained, and reserves calculated by multiplying amounts in force by reserve factors. The detail and summary files would be reconciled periodically.

2. The instruction program designed by the company would be carefully checked and tested by Department personnel to be sure that all desirable checks had been included and Department personnel would be present when the program is used for the year-end valuations.

3. At the time the initial reserve factor tape is prepared by the company, the Department would establish its accuracy by machine programming or inspection of detailed print-outs. Thereafter, the factors would be established automatically through the annual 705 "factor updating" procedure with machine program sampling checks.

4. For premium-paying regular life business, reserve results showing policies, amounts, reserves, and average reserves per thousand would be printed by year of issue, plan of insurance, and valuation basis. For other business, appropriate breakdowns would also be made. The Department would compare the average reserve factors per thousand for reasonableness with each other and with corresponding factors from the previous valuation.

5. The various items entering into the increase in reserves, such as net premiums, tabular cost less tabular interest, and reserves released by death and by other terminations, would be calculated independently and furnished to the Department. These data would be received at the end of each quarter and the Department would take an inventory of these items on a year-to-date basis which would balance with the reported reserves as of December 31. The individual increase in reserve components should agree closely with advance estimates.

6. Detailed print-outs from the magnetic tape would be available where the Department wished to manually verify any particular item listed on the printed results.

The procedure described would reduce to a minimum manual checks of reserve factors and the need for burdensome computations by Department personnel. The valuation on this basis should be at least as accurate as that under present methods, and complete reliance is not being placed on the built-in controls in the machine. It is recognized, of course, that developments in this field are very rapid, and such a system would have to be reappraised from time to time.

With regard to the items mentioned in the program as possibly limiting attendance at meetings of the Society, MR. HUMPHRYS stated that the travel budget of the Canadian Department of Insurance is ample to provide for a reasonable amount of attendance at meetings, the travel allow-

ance is based on actual expenses, and the interests of the staff are very broad, so that there is no problem as to discussions on matters of no interest. There is also no problem of lack of sympathy on the part of nonactuarial superiors as the senior officers of the Department, including the Superintendent of Insurance, are members of the Society.

MR. R. J. MYERS pointed out that the actuarial personnel in the United States Government are scattered among a number of agencies and the situation as regards attendance at meetings varies widely among different agencies and bureaus.

MR. T. N. E. GREVILLE mentioned that in 1956 extensive amendments were made to the United States Civil Service Retirement Act which covers the majority of civilian employees of the federal government. In line with the recommendations of the Kaplan Committee appointed to study all federal retirement systems, the Administration recommended that all federal employees be covered by the Old-Age and Survivors Insurance system, retaining the Civil Service Retirement system in a supplementary role. Legislation to this effect was vigorously opposed by the federal employee unions, which adopted the strategy of liberalizing the benefits under CSR to a point where there would be no persuasive arguments that might induce employees to prefer the Administration plan. With the great liberalization of the benefit formula, survivor benefits, and disability benefits effected by the 1956 CSR amendments, it would appear that this objective was attained. An integrated system of OASI and CSR would still benefit persons remaining only a few years in the federal service as they do not acquire substantial CSR credits, and may have this period of noncovered employment counted against them under OASI. The Civil Service Commission has been asked to report to Congress on possible ways of allowing some OASI credit to employees leaving after short periods of federal service.

MR. S. L. OLDS stated that in 1953 the Oregon legislature repealed and re-enacted the Public Employees Retirement Act in order to meet the technical requirements to allow OASI coverage for State employees (as well as teachers and municipal employees also covered by the Act). In 1955 the Act was extended to cover the portion of salary in excess of $3,000 (formerly excluded from the plan).

MR. ROBERT MERRITT indicated that the Connecticut Legislative Council has designated a task force to study the retirement plan for State employees and the separate plan for municipal employees in relation to OASI, and to make recommendations for their improvement. He believes that integration with OASI would be desirable.

MR. C. G. WHITE stated that the establishment of industrial pension

plans in Canada has been encouraged by the federal government by exemptions from taxable income with respect to employee contributions and employer contributions for both future service and past service. While the statutes require the Superintendent of Insurance to advise the Minister of National Revenue only with respect to past service payments, the division charged with the administration of the sections of the Income Tax Act relating to pension plans has no personnel with actuarial training, and therefore, in practice, the Department of Insurance gives advice on numerous matters relating to pension plans. Its actuaries examine the entire valuations of each trusteed private pension plan referred by the Minister of National Revenue. The consulting actuary's work sheets are borrowed and his valuations checked. The valuation must comply with a number of basic principles, the most important of which are (*a*) that all members of the plan have been included in the valuations, (*b*) that all the liabilities under the plan have been recognized, and (*c*) that the funding program is such that once the past service deficit has been funded all the benefits earned at any time will be funded. The Superintendent of Insurance prefers to see the funding of past service deficits completed within a reasonable period, say 10 years, but he has advised the Minister of National Revenue to approve past service payments in some instances involving funding over longer periods. The Department of National Revenue has indicated that trusteed private pension plans should be valued at least every five years, and that solvency of the fund is a condition for continuing approval. A plan that has been operating for a number of years will be resubmitted to the Department of National Revenue on the occasion of a new valuation if this reveals an increase in past service deficit or a substantial change in the required current service contribution rate. The Department of Insurance has no connection with the supervision of nonprofit medical and hospitalization organizations.

MR. C. C. DUBUAR stated that Blue Cross and Blue Shield plans, to a very substantial degree, are being supervised by the State insurance departments. In 1952 some 40 States had legislation expressly governing the organization and operations of Blue Cross plans. It is believed that the situation is similar for Blue Shield plans. At least three-fourths of the states require that subscriber certificates and subscriber rates be approved or filed with the insurance department, that contracts with member hospitals be approved or filed with the insurance department, that an annual financial statement be filed on forms adopted by the National Association of Insurance Commissioners, and that there be a periodic examination by the insurance department. The majority of states also restrict investments to the securities eligible for investment by life companies and a number

also prescribe a contingency reserve. In New York, 4% of the premium income must be set aside and accumulated up to a maximum of 25% of annual premiums in force. In June 1953, a committee report was submitted to and adopted by the NAIC recommending that all states require the systematic accumulation of contingency reserves.

For trusteed private pension plans the degree of supervision exercised is relatively small. In New York, where supervision of trusteed plans is limited solely to those funds established or maintained jointly by employers and labor organizations, responsibility for bank trusteed plans is lodged in the Banking Department, and for other trusteed plans in the Insurance Department. In the State of Washington, the statute apparently covers employer-managed pension funds as well, but limits the authority of the Commissioner of Insurance to those plans in which a bank does not serve as trustee. In California, the relatively few trusteed plans not administered by banks have been subject for several years to a licensing requirement administered by the Corporation Commission. The exemption of bank trusteed plans in California and Washington seems to be predicated on the assumption that there is no need for supervision of such plans, since the banks themselves are regulated. An administration bill, which the New York legislature did not pass, would have established a disclosure type of supervision for all noninsured health, welfare, and pension plans, with bank trusteed plans supervised by the Banking Department, and all others by the Insurance Department.

Regardless of which state department has responsibility for trusteed pension plans, the area of supervision does not encompass the substantive provisions or operations of the plan, nor its solvency, but in general is of the disclosure type. It has frequently been claimed that there is no need for state regulation of trusteed pension plans since they must be approved by the federal Internal Revenue Service if they are to qualify for income tax deductions. However, the objectives of the Internal Revenue Code are directed to the avoidance of excessive tax credits, unfair discrimination in benefits, and the prohibition of certain transactions between the pension fund and the contributing employer and his affiliated or subsidiary concerns. The Internal Revenue Service exercises no control over the adequacy of the pension fund and contributions thereto, nor over the investments and actual operations of the plans.

The NAIC has recommended adoption by the several states of a model bill which includes all funds within its scope, whether unilaterally or jointly administered. While stating that, in general, the Insurance Department is the most logical supervisory agency, the NAIC report recognizes that the decision as to which state agency or department should have respon-

sibility in this area can best be made by each state. It seems likely that a bill providing for a disclosure form of supervision similar to the Douglas-Ives-Murray bill, which did not reach the floor of the Senate in the last session, will be introduced at the next session of Congress. Enactment of such a bill at the federal level would in large measure duplicate the work of insurance departments in the supervision of insured benefit programs and would also result in dual supervision of noninsured programs.

Mr. Dubuar knew of no program for supervision of trusteed pension plans contemplating regulation of the financial soundness of such plans. Factual data on the investment and actuarial aspects of such plans are scanty and without a solid body of knowledge on these matters it would be difficult to establish proper standards. The disclosure type of legislation provides the mechanism for obtaining data from which standards may evolve.