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Speaking out

Members respond to *The Actuary's* Social Security survey

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For more than two years, *The Actuary* has received more articles and letters on social security than on any other single topic. Given actuaries' interest in analyzing financial situations and the extensive public debate on social security worldwide, the subject's prominence among actuaries is easily understood.

To offer more SOA members a forum for their views, editors of the September 1998 issue included a survey asking members' opinions on five statements related to possible U.S. Social Security reform. The survey drew 1,067 responses, representing 6.6% of the membership, by the Oct. 31, 1998, deadline.

In addition, the survey drew notice in the Institute of Actuary's magazine (also called *The Actuary*). Editor Zaki Khorasanee wrote in the November 1998 issue's editorial:

> The Society of Actuaries' newsletter has invited its readers to participate in a survey of opinion on how best to reform the U.S. Social Security System, just as we in the U.K. are considering the same issue from our own perspective. It may be unfashionable to say so, but I believe that we could all learn a thing or two from the enthusiasm and the spirit of public participation with which America conducts its national affairs.

Members were asked to rate their views from 1, strongly agree, to 5, strongly disagree. Respondents also were asked to provide information on their gender, designation (FSA, ASA, or pre-ASA), age category, and practice area. (See accompanying chart, "Respondents at a Glance.")

Results

On the first statement, "reforms should include a defined contribution (DC) feature using individual investment accounts," respondents overall opposed the idea, with 52.1% disagreeing and 37.8% agreeing. Only women, as a group, supported the statement, with 45.6% in and 44.7% opposed.

On statement B, "if a DC feature with individual investment accounts is enacted, workers should have only a few investment choices," respondents slightly favored the idea, 59% agreeing vs. 47.9% disagreeing. All groups except the under-25 group (11 respondents) reflected that trend, most showing a clearer split. The strongest support came from those aged 55-64, with 67.5% agreeing; pension actuaries, 65%; and those aged 65-plus, 64.2%.

Individual groups diverged from the total respondent population on statement C, that the U.S. government should invest some Social Security trust funds in equities if U.S. reforms do not include a DC feature. While respondents as a whole opposed the concept (44.7% vs. 37.5%), several categories of respondents supported the statement. Also, in the general respondent group, 16.4% gave a neutral answer and 1.4% did not respond. Support for the concept came from pension actuaries (42.5% in favor, 42% opposed), women (43.1% vs. 38.2%), people in the 25-and-under group (54.6% vs. 36.4%), and those aged 25-40 (47.5% vs. 35.3%).

A strong majority of respondents supported the fourth statement, that the Social Security retirement age should be indexed with improvements in life expectancy to help stabilize financing. Of all respondents, 74.2% agreed, and support was strong in each category.

Opposition was consistent if often slight on the fifth statement, that Social Security benefits should be adjusted with the ratio of retirees to workers to help stabilize the system's financing. Overall, respondents disagreed with the statement (56.1% vs. 24.1%). However, nearly 20% gave a neutral response or did not answer the question (18.2% and 1.6% respectively), a trend generally reflected in all categories. Over 50% of respondents in each group disagreed with the statement.

Comments

More than one-fourth – 248 – of total respondents took time to comment on or beyond the survey's five questions.

Dominating the comments was the theme of fairness, as it does in the public debates, and it took many forms. Comments on fairness typically focused on people in need and the common welfare. "Raising the retirement age discriminates against the disabled, blue-collar workers, and others with lower life expectancy," wrote one respondent. An anonymous contributor stated, "Allowing future retirees to direct their accounts would only benefit those with an understanding of investments. For others, it could diminish a benefit they need to survive financially." Another unnamed writer said, "The discussion should not focus on, 'Am I getting fair value for my contributions?' This is social insurance for the greatest good." Only a few writers took a different approach to fairness; said one, "I want to know how much of my contribution of Social Security will come back to me versus how much is going to support others' retirement funding."

Beyond fairness, topics of comments showed strong views on government involvement, investing Social Security funds in equities, launching individual accounts, and even whether the United

States should continue its Social Security system.

"The government should not be investing and becoming part-owner of any business; the (potential for) conflict of interest is just too high," wrote one respondent. "The government is the guarantor, not a bettor," stated another. But writers favoring investments often cautioned against government bureacracy and potentially high expenses, while indirectly supporting the idea of government involvement. Typical were the comments, "Keep bureaucracy to a minimum on the defined contribution portion. Offer a full range of mutual funds, but clearly disclose the risk profile of each fund," and, from another respondent, "Investment choices should be somewhat limited to avoid or reduce administrative problems."

And of course, the survey itself drew comments. On the down side, a typical comment was, "While I have completed this survey, I am completely opposed to it. It is impossible to capture the complexities associated with each question in an agree / disagree survey." Another asked, "I am not an expert in social security. Is a collection of my opinions and other uninformed opinions that valuable?" That question was inadvertently answered by those who approved of the survey. Said one writer, "This survey is a great idea! Actuaries probably know more about this subject than politicians. I hope we're heard." And the feelings of most of the 1,067 respondents most likely were summed up by one writer's brief comment, "Thanks for asking!"

Detailed survey results are available from Jacqueline Bitowt at the SOA office (phone: 847/ 706-3566; fax: 847/ 706-3599; e-mail: *jbitowt@soa.org*).

Note: Kelly Mayo, SOA public relations coordinator, contributed to this article.

Respondents at a Glance

Category	*No. of Respondents*
Total respondents	1,067
Male	927
Female	123
FSA	694
ASA	319
Pre-ASA	40
Pension practice area	426
Finance / investment	51
Health insurance	183
Life insurance	329
Property-casualty insurance	9
Other practice area	53
Under age 25	11
Ages 25-40	343
Ages 41-54	427
Ages 55-64	154
65 and above	124

Social Security Survey, *The Actuary*, September 1998

Responses for All 1,067 Respondents in Both Total Number and Percentage of Total Respondents

Statement	1 Strongly Agree	2 Agree	3 Neutral	4 Disagree	5 Strongly Disagree	6 No Answer
A. Reforms should include a defined contribution (DC) feature using individual investment accounts.	237 22.2%	166 15.6%	97 9.1%	178 16.7%	378 35.4%	11 1.0%
B. If a DC feature with individual investment accounts is enacted, workers should have only a few investment choices.	389 36.5%	239 22.4%	139 13.0%	133 12.5%	133 12.5%	34 3.2%
C. If the reforms do not include a DC feature with individual investment accounts, the government should invest some of the trust funds in equities.	187 17.5%	213 20.0%	175 16.4%	163 15.3%	314 29.4%	15 1.4%
D. The Social Security retirement age should be indexed with improvements in life expectancy to help stabilize financing.	494 46.3%	298 27.9%	93 8.7%	89 8.3%	82 7.7%	11 1.0%
E. Social Security benefits should be adjusted with the ratio of retirees to workers to help stabilize financing.	118 11.1%	139 13.0%	194 18.2%	281 26.3%	318 29.8%	17 1.6%