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Study Note Corner

Experience data from some large plans shows that the disabled participants can be subject to mortality rates that are two or three times as great as those for the non-disabled.



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It's been two years since the Education and Examination (E&E) program of the SOA changed to a large pension examination—Course 8, Retirement Benefits. However, E&E volunteers are hard at work updating the syllabus and readings for the examination to keep it relevant.

This study note corner features a new study note, an updated study note and a note that further discusses considerations in selecting fundamental actuarial assumptions. First the new study note on the syllabus.

Current Issues in Social Security

by Steve Mc Kay

"This study note is intended to summarize current social insurance issues in the United States, Canada, and selected other developed countries. Over the next 30 years, the retirement of the baby-boom generation (the large group born between 1946 and 1964) will pose challenges for social insurance (and private retirement systems) throughout the developed world. There has been ongoing discussion since the 1970s about how to deal with the challenges, and some actions have already been taken.

This note begins with a description of the nature of social security funding. Because social security is a nationwide program, macro-economic issues come into play in a way that they do not when discussing the pension plan of an individual company, or the savings plans of individuals." The note goes on to address advance funding of Social Security and issues surrounding private retirement accounts such as: transition from defined benefit, administrative costs, annuities, risks and guarantees. It also discusses the financial status of a number of different programs around the world, each with their own particular characteristics. It addresses a variety of fundamental issues such as equitable treatment of men vs. women, treatment of low vs. high earners, appropriate retirement ages, the computation period, cost-of-living adjustments and issues related to payroll taxes.

Mortality Tables for Pension Plans

by Donald Grubbs and Marilyn Oliver

The study note reviews this most fundamental assumption made by the life actuary. Its discussion of mortality includes a review of current

levels, both past and future trends and variations across different characteristics and segments of the population. It also provides, in a single reference, the relevant background for published tables from the GA-51 through the development of the RP-2000 Table. The context for this assumption is not omitted as the study note begins with a discussion of the uses of mortality tables for valuation, determination of benefits as well as in the insurance company environment.

Valuation of Pension Benefits for Disabled Participants

by Edward Sypher

"The mortality rates for a pension plan's disabled participants are substantially greater than the mortality rates for the healthy participants. Experience data from some large plans shows that the disabled participants can be subject to mortality rates that are two or three times as great as those for the non-disabled. Because of this, many pension actuaries choose to use separate mortality tables for their disabled populations. This paper discusses some of the considerations involved in choosing such a table. It starts with a brief review of fundamental concepts and terminology used in actuarial discussions of disability. Following this, there is a discussion of common disability tables, as well as other sources of disability data (including the disability experience of the Social Security program). Finally, the paper addresses several questions that a pension actuary should consider when valuing disability benefits.

The paper addresses only the valuation of benefits to persons who are currently disabled. It does not address the prediction of future rates of incidence. Nor does it address questions of how a plan's funding method might reflect the value of disability benefits."



Study notes can be purchased individually from the Society of Actuaries Study Note Coordinator, Aleshia Zionce at (847) 706-3525. All Course 8 study notes are listed in the Fall 2002 Basic Education Catalog, available on line at www.soa.org/eandelfall02_catalog/fall02_catalog.pdf. □