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## *From the Pension Section Council Chairperson*

*by Bruce Cadenhead*

**T**his is my first column as Chair of the Pension Section Council, so of course I looked at past issues of Pension Section News to see how previous Chairs have handled this golden opportunity. Two related themes that have recurred involve communications with our members:

- Ensuring that the Council is responsive to the needs of Section members
- Keeping members informed of our current projects

Since we have some new developments in both areas, I think I'll focus on these topics in this column.

First, however, I would like to thank the outgoing members of the Council

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## *Lump Sums and Benefit Adequacy*

*by Anna M. Rappaport*

**T**here is a wide disparity in the use of lump sums as a form of pension benefit payment. Lump sums are used nearly all of the time for defined contribution plans and cash balance plans in the United States, and they are the usual method of payment in Australia. In the United Kingdom, most of the retirement benefit, about 75%, must be paid as a life annuity. They are offered more often by defined benefit plan sponsors than in the past in the United States, and when offered, the offer is usually accepted. In the United Kingdom, there are efforts underway to get the requirements liberalized.

Are lump sums a good thing? It depends on your point of view. They are great for some people, and a disaster for others. The benefits of lump sums are that they:

- Allow individuals control over assets and flexibility in planning for personal retirement
- In times of good investment performance, allow those who invest well to make their funds grow more rapidly
- Allow individuals to leave any funds not used for retirement to their heirs, but depending on who the heir is, a surviving spouse could be left without resources
- Allow individuals with considerable retirement assets to use some of the money to support frailty, to buy a retirement home, etc.

But, this is a story with down sides as well. Some of the down sides include:

- Money can be spent for non-retirement purposes, and research, in fact, shows that many people do spend all or part of their lump sums for non-retirement purposes

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*Bruce Cadenhead*

who completed their three-year terms this past fall: Colin England, Lindsay Malkiewich, and Lee Trad. Colin, the past Chair, has provided us with leadership both by heading the Council and through his work

organizing and leading seminars.

Lindsay, our treasurer for the past two years, has provided able financial stewardship. Lee has worked hard to make the spring SOA meetings a success.

I would also like to welcome our new members: John Kalnberg, Marilyn Miller Oliver, and Zenaida Samaniego. Judging from their enthusiastic participation in our meetings thus far, I think the membership has chosen wisely in selecting them for the Council. Finally, I would like to recognize our officers for the upcoming year: Vice-Chair Paul Angelo, Treasurer John Kalnberg, and Secretary John Wade.

I'll return now to the issue of communications. In the upcoming year, we plan to make greater use of our space on the SOA's Web site to enhance communications between the Council and the Pension Section members (<http://www.soa.org/sections/pen.html>) — both to solicit your ideas, as well as to let you know what we're working on.

In the past, we have invited feedback by conducting surveys or by inviting you (in columns like this one) to contact individual members of the Council directly. Each of these approaches has limitations — surveys are a major undertaking,

while invitations appearing in the middle of the "Chairperson's Corner" may not generate a lot of response. In order to increase the likelihood that we'll hear from you, we are adding a feedback area on our Web site so that you have a convenient method of sharing your ideas with us whenever inspiration strikes. We will discuss your thoughts during the Council's monthly conference calls or at our quarterly meetings and then report back to you. I particularly welcome ideas on how we can better use our space on the Web to fulfill our mission.

We have a few other Web-related projects that I'd like to report on. The most exciting of these is the release of the Pension Actuarial Basics Course.

### ***The Pension Actuarial Basics Course Is Up and Running!***

Forgive my enthusiasm, but this course has been our top priority for some time now, and I want to make sure that you are aware of it. I think you will find it an excellent resource for all those new to the pension field. Maintaining and expanding this course will be a permanent order of business for the Council. Please see the article in this issue by Adrien La Bombarde, the chief architect of the course, for more details.

Other plans for using the Web to enhance communication with our members include:

- Soliciting candidates for our upcoming elections — so if you're interested in joining us, you can let us know.
- Immediate posting of *Pension Section News* on the Web. We will also send out a blast e-mail with a link to the latest issue.

- A permanent posting of our mission and our current projects. Those of you who wonder "what does the Pension Section Council do?" (which would have included me three years ago) will find a ready answer. In the meantime, if you're interested in our mission, I refer you to the March 2000 Chairperson's Corner in which Colin England does an excellent job of explaining it. (For those of you who don't carefully file away your past issues of Pension Section News, you can find the column at <http://www.soa.org/library/sectionnews/pension/PSN0003.pdf>)

I'm sure there are many other possible uses of the Web that we haven't considered yet. That's where you come in. I look forward to hearing from you.

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