PENSION SECTION NEWS

NUMBER 37 AUGUST 1998

Chairperson's Corner

by Carolyn E. Zimmerman

At the risk of stating the obvious, I am becoming more and more concerned about the trend toward "do-it-yourself" pensions—defined contribution and hybrid plans, IRAs, lump-sum distributions, and so on. I am certainly not the first—nor the last—person to comment on this, but I see this as a crisis in the making as more and more retirees are dependent on their own ability (and discipline) to manage a portfolio to provide lifetime retirement income.

We've seen many employers change to defined-contribution or hybrid plans. We have seen employees embrace these even though they may be receiving smaller benefits, because while they do not understand the value of their defined-benefit pension they can see the value of their defined-contribution account increasing year after year. (In the words of a recent Presidential candidate, they can "see it, touch it, feel it!") I had one client who changed from a defined-benefit to a defined-contribution plan and some of its older

continued on page 8, column 1

Excerpts from the PBGC Actuarial Valuation Report—1997 Fiscal Year

Editors Note: *The 1997 Annual Report of the PBGC and the complete 1997 Actuarial Valuation Report, including additional actuarial data tables, are available from Loretta Berg at the PBGC, 202–326–4040, upon request.*

☆☆☆

The 1997 Annual Report of the Pension Benefit Guaranty Corporation (PBGC) contains a summary of the results of the September 30, 1997 actuarial valuation. The purpose of this separate Actuarial Valuation Report is to provide greater detail on the valuation of future benefits than is possible in PBGC's Annual Report.

Overview

The PBGC calculated and validated the present value of future benefits (PVFB) for both the single-employer and multiemployer programs and of non-recoverable financial assistance under the multiemployer program. For the single-employer program, the liability as of September 30, 1996 consisted of:

- $10.50 billion for the 2,500 plans that have terminated
- $2.59 billion for 23 probable terminations.

Liabilities for "probable terminations" reflected reasonable estimates of the losses for plans that are likely to terminate in a future year. These estimated losses were based on conditions that existed as of PBGC's fiscal year-end. It is likely that one or more events subsequent to PBGC's fiscal year-end will occur, confirming the fact of the loss. In addition, the liability for reasonably possible terminations has been calculated and is discussed in Note 9 to the financial statements on page 37 of PBGC's 1997 Annual Report. A 10-year forecast of PBGC's financial condition is discussed on pages 18 and 19 of that report.

continued on page 4, column 1

In This Issue

PENSION SECTION NEWS
Issue Number 37, August 1998

Published quarterly by the Pension Section
of the Society of Actuaries
475 N. Martingale Road, Suite 800
Schaumburg, IL 60173
Phone: 847–706–3500
Fax: 847–706–3599
World Wide Web: http://www.soa.org

This newsletter is free to Section members. A subscription is $15.00 for nonmembers. Current-year issues are available from the Communications Department. Back issues of Section newsletters have been placed in the Society library. Photocopies of back issues may be requested for a nominal fee.

Dan Arnold, FSA
Pension Section News Editor
Hooker & Holcombe
65 LaSalle Road
West Hartford, CT 06107
860–521–8400
860–521–3742 (Fax)
E-mail: danarnold@compuserve.com

Associate Editors
J. Bruce MacDonald, FCIA, FSA, Canadian Topics
Ho Kuen Ng, FSA, Academic Topics and *ARCH*
Karen Steffen, FSA, Public Plan Topics
Fernando J. Troncoso, ASA, Mexican Topics

Pension Section Council
Carolyn E. Zimmerman, Chairperson
Amy S. Timmons, Vice-Chairperson
Amy C. Viener, Secretary
Martha A. Moeller, Treasurer
Joan Boughton, Council Member
Colin England, Council Member
Lindsay J. Malkiewich, Council Member
Michel St. Germain, Council Member
Lee J. Trad, Council Member

SOA Staff
Barbara Simmons, ELS, Publications Manager (bsimmons@soa.org)
Susan Martz, DTP Coordinator (smartz@soa.org)
Peggy Grillot, Online Systems Manager (pgrillot@soa.org)

Facts and opinions contained in these pages are the responsibility of the persons who express them and should not be attributed to the Society of Actuaries, its Committees, the Pension Section, or the employers of the authors. Errors in fact, if brought to our attention, will be promptly corrected.

Copyright 1998 Society of Actuaries.
All rights reserved.
Printed in the United States of America.

Letters to the Editor

"Engagement of the Enrolled Actuary on Behalf of All Plan Participants: Where's the Engagement?"

EDITOR'S NOTE:

In the April 1998 issue of *Pension Section News*, names of an actuarial firm, an enrolled actuary, and a plan sponsor were used without prior notice to them. The editor regrets this oversight and invites any comments they wish to make.

Dan Arnold, FSA
Editor, Pension Section News

"Incidence of Disability for U.S. Government Employees: 1988–1993"

DEAR DAN:

In the article "Incidence of Disability for U.S. Government Employees: 1988–1993," Table 2 shows the rate of Disablement by Salary for males and females. I was surprised by the small difference in rates by gender. Is this difference statistically significant? Were other parameters (besides age) as or more significant, such as calendar year or program (CSRS/FERS)?

Allan C. Weaver, FSA
Actuarial Consulting Group
Richmond, Virginia

DEAR MR. WEAVER:

I contacted Michael Virga at the U.S. Office of Personnel Management regarding your question. His response is as follows: "The rates of disablement given in the study are based on salaries; that is, the rate is equal to the total salaries of those exposed during the year. If the rates of disablement were based on number of lives rather than salaries, the rates would be about 18% higher for males and 8% higher for females. This result implies that higher salaried employees tend to have lower rates of disablement and this tendency is greater for males than for females. Thus, rates based on numbers (rather than amounts) would tend to be slightly higher for males than for females."

Steve A. Lemanski, ASA
Hooker & Holcombe, Inc.
West Hartford, Connecticut
lemanski@ct2.nai.net

Retirement Planning and Women

DEAR DAN:

As you are probably aware, elderly women are much less well off economically than elderly men. From another perspective, they are much better off. They live longer. As a group, they do not do as well planning for retirement. My personal interest is to attract more attention to these issues so that those people who can help solve some of the problems will be interested in doing so. I hope that other actuaries will join in this effort.

I want to alert you to a source of excellent education for women about retirement issues. The Women's Institute for a Secure Retirement (WISER), a not-for-profit organization, has been established to provide education for women on retirement

continued on page 3, column 1

Letters to the Editor
continued from page 2

planning issues. WISER was started with support from the Heinz Foundation. Copies of the information are available from WISER. Single copies (or a small number) can be obtained without cost. Larger quantities are available at a nominal cost to cover printing. If a consulting firm or employer wishes to distribute this information, it could be customized to include the name of the company. WISER will also be seeking added funding to expand the information that it provides. Cindy Hounsell, Executive Director of WISER, at 202–393–5452, would be happy to provide more information. WISER's address is 1201 Pennsylvania Avenue, NW, Suite 619, Washington, D.C. 20004.

Anna M. Rappaport, FSA
President of the Society of Actuaries
c/o William M. Mercer Inc.
Chicago, Illinois

Statistics for Employee Benefits Actuaries Now Available

The 1998 edition of *Statistics for Employee Benefits Actuaries* was mailed at the end of May. Tables 1 through 7 and 16 through 25 have been updated and are also available on the SOA web page, www.soa.org. After accessing the SOA homepage, click on publications and then *Statistics for Employee Benefits Actuaries*.

If you have not yet received your printed copy, please contact:

Cathy Cimo
Society of Actuaries
475 Martingale Road, Suite 800
Schaumburg, IL 60173–2226

Phone: (847) 706–3587
Fax: (874) 706–3599
E-mail: ccimo@soa.org

33rd ARC at Georgia State

The annual Actuarial Research Conference (ARC) provides an opportunity for academics and practitioners interested in actuarial science to meet and discuss actuarial problems and their solutions. The 33rd ARC will be held Thursday, August 6, through Saturday, August 8, at Georgia State University, Atlanta, Georgia.

For additional information, contact Hal Pedersen, Georgia State University, Department of Risk Management and Insurance, P.O. Box 4036, Atlanta, GA 30302–4036 (phone: 404–651–0962; fax: 404–651–4219; or e-mail: inshwp@panther.gsu.edu). Information about the conference is also available on the world wide web (http://rmictr.gsu.edu/arc/arc1.htm).

Call for Papers

"Fair Value of Insurance Business"

The Society of Actuaries and New York University join forces again. A conference on "Fair Value of Insurance Business" will be held on March 18 and 19, 1999 in New York City. The goal is to extend and update the body of knowledge from the 1995 "Fair Value of Insurance Liabilities" Conference, highlight similarities in various theoretical developments, and work towards resolution of differences and implementation issues. The scope of the conference has been broadened to encourage fair valuation efforts that consider insurance business as an integrated whole.

The conference will:

- Provide an overview of and comparison of various theoretical developments
- Provide an update on various efforts in accounting and management reporting
- Suggest how the various theories can be applied to financial and management reporting in practice and discuss implementation issues and potential solutions.

A call for papers is being held in conjunction with the conference. The goal of this call for papers is to promote fresh perspectives on this challenging topic, to provide a solid foundation for the conference, and to move forward the state of the art on insurance valuation. Papers should bring fair value accounting for insurance forward with respect to recent developments in accounting initiatives as well as management practices. Papers submitted in response to this call may cover topics related to fair value of assets, liabilities, or insurance enterprise value.

The Society of Actuaries anticipates publishing acceptable papers in a book. Papers from the 1995 conference have been published in the book *The Fair Value of Insurance Liabilities*, Kluwer, 1998. Expenses incurred by authors who present accepted papers at the conference will be paid by the Society of Actuaries.

The target date for receipt of papers is October 30, 1998. The detailed call for papers can be accessed via the Research Section of the Society of Actuaries web site (http://www.soa.org/research/cfp2.html). Or contact Joanne Temperly (Phone: 847–706–3519, Fax: 847–706–3599, E-mail: jtemperly@soa.org) to receive a copy via fax, mail or e-mail.

Excerpts from the PBGC Report
continued from page 1

For the multiemployer program, the liability as of September 30, 1997 consisted of:

- $7 million for 10 pension plans that terminated before passage of the Multiemployer Pension Plan Amendments Act (MPPAA) and of which the corporation is trustee
- $361 million for probable and estimable post-MPPAA losses due to financial assistance to 45 multiemployer pension plans that were, or were expected to become, insolvent.

Actuarial Assumptions, Methods, and Procedures

The PBGC continues to review the actuarial assumptions used in the valuation to ensure that they remain consistent with current market conditions in the insurance industry and with PBGC's experience. The actuarial assumptions that are used in both the single- employer and multiemployer valuations are presented in the table (on page 5). Assumptions concerning data that were not available are discussed in the data section of this report.

As in previous valuations, the select and ultimate interest rates used to value PBGC liabilities were derived by using an assumed underlying mortality basis and current annuity purchase prices. The interest rates so determined for the 1997 valuation were 6.20% for the first 25 years after the valuation date and 5.50% thereafter. For the 1996 valuation, the interest rates were 6.6% for the first 25 years and 4.75% thereafter. These interest rates are dependent upon PBGC's mortality assumption which changed from FY 1996 to FY 1997 (see next paragraph).

The mortality assumptions were updated by adopting the recommendations contained in the Addendum to the 1994 PBGC Mortality Expense Study, which was completed during FY 1997 by an independent consulting firm. This study recommended that, when conducting valuations for its financial statements, the PBGC use the male and female 1994 Group Annuity Mortality Static Tables (with margins), set forward two years, for healthy males and females. The study also recommended that continuing mortallity improvements be taken into account by using Projection Scale AA, also set forward two years, to project these tables a fixed number of years. At each valuation date, the fixed number of years will be determined as the sum of the elapsed time from the date of the table (1994) to the valuation date, plus the period of time from the valuation date to the average date of payment of future benefits (the duration). This is an approximation to a fully projected table. Thus, the mortality table used for healthy lives in the 1997 valuation is the 1994 Group Annuity Mortality Static Table (with margins), set forward two years, projected 12 years to 2006 using Scale AA. For FY 1996 the healthy lives mortality table was the 1983 Group Annuity Mortality Table (with margins), projected 10 years to 1993 using Scale H, with six-year age setback for females. The disabled lives mortality tables used in the 1997 valuation were derived from the Social Security disability table and from healthy lives mortality in a manner similar to the 1996 valuation.

The model used to determine the reserve for future administrative expenses was also changed. Based on a thorough expense study conducted during 1997 by an independent consultant, a new model was developed that more properly reflects the structure of PBGC's administrative expenses. The expense reserve was assumed to be 1.3% of the liability for benefits plus additional reserves for cases where plan asset determinations, participant database audits, and actuarial valuations were not complete. The factors to determine these additional reserves are based on case size, number of participants, and time since trusteeship. This information is obtained directly from PBGC's case administration system, reflecting consistent reporting throughout PBGC. The expense assumptions for FY 1997 are shown in detail in Table 2C. For FY 1996 the expense assumptions were $26,000 per plan and $650 per participant phased out over the first four years after the plan's date of trusteeship plus 3.25% of the liability for benefits.

The Small Plan Average Recovery Ratio (SPARR) assumptions as shown in Table 2B were updated to reflect the actual SPARRs calculated for FY 1992 (7.73%) and for FY 1993 (7.44%). The SPARRs for subsequent years are assumed to equal the FY 1993 SPARR.

There was no change in the assumptions for retirement ages.

Efforts continued into 1997 to improve the quality of the seriatim data. In addition, changes were made to improve the accuracy, speed, and auditability of the calculations as well as to integrate with the evolving PBGC computer environment.

Statement of Actuarial Opinion

This valuation has been prepared in accordance with generally accepted actuarial principles and practices and, to the best of my knowledge, fairly reflects the actuarial present value of the corporation's liabilities for the single-employer and multiemployer plan insurance programs as of September 30, 1997.

In preparing this valuation, I have relied upon information provided to me regarding plan provisions, plan participants, plan assets, and other matters.

In my opinion, (1) the techniques and methodology used for valuing these liabilities are generally accepted within the actuarial profession; (2) the assumptions used are appropriate for the purposes of this statement and are individually my best estimate of expected future experience discounted using current settlement rates from insurance companies; and (3) the resulting total liability represents my best estimate of anticipated experience under these programs.

Joan M. Weiss, FSA
Chief Valuation Actuary
Pension Benefit Guaranty Corporation
Washington, D.C.
March 31, 1998

Excerpts from the PBGC Report
continued from page 4

ACTUARIAL ASSUMPTIONS

	Previous Valuation as of 9/30/96	**Current Valuation as of 9/30/97**
Interest Rate	Select and Ultimate • 6.6% for 25 years • 4.75% thereafter	Select and Ultimate • 6.2% for 25 years • 5.5% thereafter
Mortality • Healthy Lives	• 1983 Group Annuity Mortality Table (with margins), projected 10 years to 1993 using Scale H, with 6-year age setback for females	• 1994 Group Annuity Mortality Static Table (with margins), set forward two years, projected 12 years to 2006 using Scale AA
• Disabled Lives Not Receiving Social Security	• Healthy Lives Table set forward three years	• Healthy Lives Table set forward three years
• Disabled Lives Receiving Social Security	• Social Security disability table as described in PBGC regulations on Valuation of Plan Benefits for persons up to age 65, adjusted to parallel the healthy lives table for ages above 65.	• Social Security disability table as described in subpart B of PBGC regulations on Allocation of Assets in Single-Employer Plans for persons up to age 64, adjusted to parallel the table for disabled lives not receiving Social Security benefits for ages above 64.
SPARR	Actual SPARR for fiscal years for which it has been calculated. The most recent actual SPARR is assumed for years for which the calculation is not yet completed (most recent SPARR: FY 1991 = 12.01%).	Actual SPARR for fiscal years for which it has been calculated. The most recent actual SPARR is assumed for years for which the calculation is not yet completed (most recent SPARR: FY 1993 = 7.44%). See Table 2B for values.
Retirement Ages	(a) Earliest possible for shutdown companies. (b) Expected retirement age (XRA) tables from 29 CFR 4044 for ongoing companies. (c) Participants past XRA are assumed to be in pay status. (d) Unlocated participants past normal retirement age (NRA) are phased out over three years to reflect lower likelihood of payment.	Same
Expenses	All terminated plans and single-employer probable terminations: (a) $26,000 per plan, plus (b) $650 per participant, plus (c) 3.25% of the liability for benefits. Expense elements (a) and (b) are phased out over the first four years from the plan's date of trusteeship.	All terminated plans and single-employer probable terminations: 1.30% of the liability for benefits plus additional reserves as shown in Table 2C for cases where plan asset determinations, participant database audits, and actuarial valuations were not complete.

Study Note Corner

A Technical Analysis of Pension Equity Plans (Course P–362U Study Note)

by Kyle N. Brown and Richard R. Joss

This presentation is an analysis of the pension equity plan, an innovative defined-benefit plan first adopted by RJR Nabisco. The original design has been modified in several ways and adopted by other plan sponsors. We now estimate that by 1997, perhaps 30 or more major employers had adopted pension-equity plans.

This analysis is intended to provide practitioners with a technical understanding of the issues relating to the pension-equity plan in order to facilitate a knowledgeable discussion of the plan with potential plan sponsors.

The pension-equity plan may be summarized in a very cursory fashion as a final average pay plan with the normal retirement benefit expressed in terms of lump sums. While pension-equity plans have often been compared with cash-balance plans, several key features are quite different. However, to the extent that both plans define the participant's benefit in terms of a lump sum, some of the technical analysis is similar. Accordingly, this analysis considers most issues from a traditional cash-balance-plan approach in addition to the pension-equity-plan approach. While there are some issues for which there are no definite answers regarding traditional cash-balance plans, this analysis is not intended to be critical of cash-balance plans. Many plan sponsors have adopted cash-balance plans and many pension consultants believe such plans comply with the various qualification requirements. However, one of the key aspects of the pension-equity plan is that some of the unanswered issues that exist for cash-balance plans do not exist for the pension-equity plan.

To order Study Notes, please contact Aleshia Zionce, Study Note Coordinator, at 847–706–3525. The price for Study Note 362–54–97 is $7.00. An up-to-date list of Study Notes and prices is available on the SOA website at http://www.soa.org in the Education and Exams area.

Articles Needed for the *News*

Your help and participation are needed and welcomed. All articles will include a by-line to give you full credit for your effort. *News* is pleased to publish articles in a second language if a translation is provided by the author. For those of you interested in working on the *News*, several Associate Editors are needed to handle various specialty areas such as meetings, seminars, symposia, continuing education meetings, teleconferences, and cassettes (audio and video) for Enrolled Actuaries, new pension study notes, new research and studies by Society committees, and so on. If you would like to submit an article or be an Associate Editor, please call me at 860–521–8400.

As in the past, full papers will be published in *The Pension Forum* format, but now only on an ad hoc basis.

News is published quarterly as follows:

Publication Date	**Submission Deadline**
October	September 10
December	November 10
March	February 10
June	May 10

Preferred Format

In order to efficiently handle articles, please use the following format when submitting articles.

Mail both a diskette and a hard copy of your article. We are able to convert most PC-compatible software packages. You may also e-mail articles for publication.

If this is not clear or you must submit in another manner, please call Susan Martz, 847–706–3543, at the Society of Actuaries for help.

Please send original hard copy of article and diskette to:

Susan Martz
Society of Actuaries
475 N. Martingale Road, Suite 800
Schaumburg, IL 60173–2226
e-mail: smartz@soa.org

Please send a copy of article (hard copy only) to:

Daniel M. Arnold, FSA
Hooker & Holcombe, Inc.
65 LaSalle Road
West Hartford, CT 06107

Thank you for your help.

Dan Arnold, Editor
Phone: 860–521–8400; Fax: 860–521–3742
E-mail: danarnold@compuserve.com

SAVER Summit Looks at Retirement Needs and Savings Plans

by Anna M. Rappaport

I had the privilege to serve as a delegate to the National Summit on Retirement Savings on June 4-5 in Washington, D.C. During my year as SOA president, I have chosen to focus attention on challenges related to an aging society. The summit was a U.S. effort aimed in that direction.

A number of actuaries were among the 200 delegates at the summit. At times we have been concerned that issues in our areas of expertise did not have actuarial input, but we were well represented at this event.

The summit focused on the implications of low savings rates on the aging of America and was designed to help policymakers and all Americans think about ways to increase retirement savings. During the opening session, the leadership of the administration and Congress joined in showing strong support for savings, and President Clinton showed his support by hosting a White House reception for the summit participants. This congressional and administration support for the summit was very exciting.

Alexis Herman, U.S. Secretary of Labor, hosted the summit for the administration. She expressed particular concern about retirement resources versus the needs of women and minorities. Small business also was targeted, because very few small employers now sponsor retirement plans while the vast majority of large companies do. This is especially problematic since total employment is shifting away from large companies to small ones.

The summit was organized in accordance with the federal SAVER legislation. (The SAVER Act—"Savings are Vital to Everyone's Retirement"—became law in November 1997 to encourage retirement savings through the impetus of public-private sector partnerships.) It was an opportunity to draw public attention, through coverage by the news media, to the need for more retirement savings. It was also an opportunity to get people with very different perspectives to provide input on the issues surrounding low savings rates.

What will happen to the input? It was recorded, but how it will be used remains to be seen. Two hopeful signs: the American Savings Education Council is preparing a report for Congress, and the congressional leaders most involved with pension legislation participated in the summit.

The delegates represented many different groups and as such are in a position to influence action in the private sector and to provide input to the public sector. They had very different opinions. Background material came from a briefing book distributed to all delegates and from the opening speeches. Some groups, including the American Academy of Actuaries, also distributed material to the delegates. Breakout sessions then searched for ideas and opportunities to help increase retirement savings. There was a lot of informal discussion in the hallways and during coffee breaks. This article is based on my perceptions, not on any formal summary of the meeting, although it is expected that one will be forthcoming.

> ***"The summit focused on the implications of low savings rates for the aging of America and was designed to help policymakers and all Americans think about ways to increase retirement savings."***

Problems discussed included:

- The low overall savings rate at present, compared to what is needed, historical levels, and savings in other countries
- The leakage of retirement funds as lump-sum payments are used for purposes other than retirement
- The low rate of retirement plan sponsorship by small businesses
- For voluntary plans, the low participation rate of individuals earning less than $50,000
- The difference in economic status among groups of the elderly, with women and minorities being considerably less well off than other groups.

Some presentations highlighted the historical role of unions in helping to secure pension coverage; the experiences of unions offer useful information for other large organizations, such as major corporations.

Ann Combs, principal, William M. Mercer Incorporated, focused on women and minorities and the link between earnings, labor force participation, and benefit levels. She also pointed out that women are more likely to be employed by small businesses, which have a much lower rate of plan sponsorship.

I have been personally very interested in the issues related to women and had the privilege of serving on a study group on women's retirement issues convened by the House Committee on Aging in 1992. Several study group members were delegates to the summit. For me, it is sad to report that the issues we focused on in 1992 are no different today, and some conditions have worsened.

The summit offered an opportunity for many from the private sector to express their views on regulations and the accompanying challenges. For large employers, the regulations are a hurdle and somewhat costly, but they do not stop companies from offering retirement plans; more than 80% of employers with over 1,000 employees sponsor plans. In contrast, fewer than 15% of the smallest companies sponsor plans; the regulations are a critical hurdle, particularly for defined-benefit plans. Members of Congress committed to retirement savings are working to reduce some of the regulatory barriers. While regulation and taxes explain part of the low participation, the economic

continued on page 8, column 1

SAVER Summit
continued from page 7

challenges facing small business are also important. New businesses have a high rate of failure, and nothing done for pensions will change that. Easier access to IRAs was seen as a way to compensate.

Discussions on lump-sum distributions showed much disagreement. There is concern about leakage, but at the same time, many believe that people should have the right to use their money any way they want. There is disagreement about whether or not using money to buy a house will support stronger retirement assets. This issue also was discussed by the 1992 study group.

Another contentious issue was the plight of lower-income individuals. Some delegates thought that it was unrealistic for people with incomes below a certain amount to save, whereas others thought that education, incentives, or both would work. It was clear that ideas about an appropriate social safety net, while not discussed in the sessions, were radically different. Those whose primary concern was adequate retirement resources for minorities, women, and lower-income persons see the safety net as absolutely vital.

We saw some exciting examples of good communication about savings programs, but we also heard some warnings from the audience—specifically, that we need to be careful not to use too-high rates of return in our calculations and thereby over-promise wealth through saving. I saw some disconnects in the discussion about communication: An employer example presented was extremely tailored to the culture of the company, while the discussion focused on generic, widely available material; the employer clearly stated that success was tied to communicating for the culture of the company.

Did the summit line up well with my view on these issues? My answer has to be "yes" in some areas, but "no" in others. I think savings education is very important and that people must save more. Policy changes to encourage more savings also may help us meet objectives. Here we must be clear about our objectives. If our objective is to raise the aggregate of national savings, incentives could do that, but the most promising changes may be targeted at the higher-income 50% of the population. If our objective is to improve well-being in retirement, particularly for those not served well by the system today, we need to look to very different changes.

Our first goal must be to improve the wages and labor force participation of that part of the population and then to focus on incentives that will encourage more benefits and savings for that group. Raising limits on tax deferrals addresses the first objective but not the second. We must not pretend that savings education, tax incentives, or both will remove all the challenges to retirement security. The safety net is very important.

There was some focus on defined-benefit plans in the opening discussion, but not much in the breakout group I attended. These plans deserve more discussion because they offer a way to provide a base layer of benefits for employees with long service. (Of course, one key question is whether many people will reach long service with a single employer.) There was some focus on multiemployer plans, and certainly this is a concept to consider when exploring ways to offer security to people who stay in a profession but change employers. TIAA-CREF was suggested as a model.

Several members of Congress focused on their attempts at regulatory and legislative change. There is certainly support, in at least some quarters, for positive change in pension law.

The summit was a personally interesting experience, and I was proud to be part of it. Delegates have gone home with the impressions of the summit, and there are many pension policy proposals being considered in Washington. I hope that when the next SAVER Summit is held two years from now, I can say that we who attended the 1998 summit accomplished good results.

Anna M. Rappaport, FSA, is Principal at William M. Mercer Inc., in Chicago, Illinois and 1997–1998 President of the Society of Actuaries.

Chairperson's Corner
continued from page 1

employees complained because they were "grandfathered" under the defined-benefit plan. They didn't understand that meant they got the better of the two benefits—but given a choice they would have taken the defined- contribution plan without question!

But think about this—the plan participants who welcome a defined-contribution plan because they don't understand the value of their defined-benefit pension are the same ones we are asking to understand how to make an account balance provide enough income for the rest of their lives. Very often a retiree's account balance represents more money than he or she had access to during working years, which can lead to unrealistic expectations and false security.

I recently received an e-mail from my uncle, who is thinking about retiring when he reaches age 55 (five years away). By then, he expects to have the massive sum of $150,000 in his 401(k) account (his only retirement plan), and he wanted advice on how much he could draw out of the account each month. Clearly, he had no idea how quickly $150,000 can disappear! (Nor did he realize how little comfort he would get from the luxury conversion van he bought with his lump-sum distribution 10 years ago.) Unfortunately, we have all heard countless stories like his.

To make the situation even more difficult, more and more companies are transferring the responsibility for medical coverage to their retirees. As we have all seen, once employers became aware of the cost of this coverage (because they were forced to account for it under *FAS 106*), they realized they could not afford it. If employers didn't

continued on page 9, column 1

Chairperson's Corner
continued from page 8

understand the cost of lifetime medical coverage, the typical employee has little chance to understand it and plan for it.

I often wonder what will happen when the infamous "baby boomers" begin to reach retirement age and realize how much of their retirement income depends on their own financial expertise. At least Social Security provides guaranteed income for life—but with recent proposals to take Social Security to a defined-contribution approach, we could lose that safety net as well.

We have enjoyed incredible returns in the market over the past few years, boosting retirement savings and affluence in general; however, much of that is ascribed to baby boomers fueling the market with their investments. Obviously, there are many other factors as well, but if the baby boomers help to fuel a market now, what happens when the net cash flow reverses and the baby boomers take money out of the market instead of putting it in? If they are responsible for the boom, they could also be responsible for a bust—just about the time they need the money for retirement.

So what happens then? I can easily see the situation of them pressuring their employers for defined-benefit guarantees when they try to retire and realize what they're facing—but will employers be willing or able to reshoulder that responsibility?

As pension professionals we are in a better position than most to work toward a solution—but again, there aren't any easy answers. I can't in good conscience ask my clients to maintain a defined-benefit plan when their competitors are not—and when their employees might have more appreciation for a defined-contribution plan. I would be the last person to suggest that the government step in and force employers to provide a guaranteed pension or that our taxes be increased (even more!) to provide income for retirees who squander their account balances (or never had enough to start with!). Yet I would also be the last person to suggest that we abandon those retirees who are unfortunate enough to run out of money.

There are no easy answers, but some of the best answers probably lie in education, making sure that employers understand and are comfortable with the risk their employees are taking as pensions move toward defined-contribution approaches, strongly encouraging education programs geared to help employees with investment decisions, and/or encouraging employers to pay fees so that employees can consult investment professionals. We can also make our legislators aware of our opinions and concerns through the various committees maintained by the American Academy of Actuaries. Please write our editor with your thoughts. We would like to hear from you!

Carolyn E. Zimmerman, FSA, is with Ernst & Young LLP in Pittsburgh, Pennsylvania and Chairperson of the Pension Section Council.

A Paper to Note

Retirement Age—Increasing or Phasing out?

In our work with pension plans over the years, we have witnessed a decline in age at retirement. In the paper "Retirement Trends and Patterns in the 1990s: The End of an Era?" Joseph Quinn documents this trend and also points out that it may be changing. Over the last 10 years, labor force participation rates at older ages have stabilized or even increased. In addition, the paper reviews some of the influences that may be responsible for a shift in the trend. One explanation is an increasing tendency for workers retiring from full time jobs to take part-time, "bridge" jobs before leaving the workforce entirely. Perhaps a single age at retirement is a thing of the past. The paper appears in Volume 8, Number 3 of *The Public Policy and Aging Report*, Summer 1997, published by the National Institute on Aging.

◊ ◊ ◊

Editor's Note: *"A Paper to Note" is sponsored by the Committee on Retirement Systems Professional Education and Development. Copies of the papers are available from the SOA library, 847–706–3575. If you've come across an interesting paper that the pension actuarial community should hear about, please contact Cathy Cimo, 847–706–3587 or ccimo@soa.org to refer your suggestion to the Committee.*

Additional Web Site Addresses

Please note the following web site addresses that were inadvertently omitted on page 6 (Online Resources for Pension Actuaries) of *Statistics for Employee Benefits Actuaries—April 1998*. These same addresses were also omitted on page 12 of the April 1998 issue of *Pension Section News*. We apologize for the omission.

American Academy of Actuaries . . . . www.actuary.org
Actuarial Board for Counseling and Discipline . . . . www.abcdboard.org
Actuarial Standards Board . . . . www.actuary.org/asb.htm

JBEA Advisory Committee Seeks Applicants

by Carl Shalit

Do you know what the Advisory Committee on Actuarial Examinations of the Joint Board for the Enrollment of Actuaries is? Probably not, but it is one of the reasons the Joint Board is able to enroll actuaries efficiently.

During the infancy of the Employee Retirement Income Security Act, the enrollment examinations were prepared by members of the Joint Board itself. However, it soon became apparent that substantial private-sector assistance was required to maximize the effectiveness of the enrollment process. Accordingly, in 1976, the Joint Board chartered the Advisory Committee on Actuarial Examinations with the responsibility for comprehensively reviewing, editing, and finalizing examination questions that have been submitted in draft form by the EA-1 and EA-2 Examination Committees. These committees are made up of members of the Society of Actuaries and the American Society of Pension Actuaries, which cosponsor the examinations. The Joint Board itself must approve the final examinations before they are administered.

In addition to preparing the examinations, the Advisory Committee reviews statistical results of the examinations and recommends appropriate pass marks to the Joint Board. It also assists in developing the syllabi and addressing other issues related to the enrollment examination process.

Every two years, the Joint Board formally renews the Advisory Committee. Pursuant to an agreement among the three cosponsors of the examinations, the Advisory Committee is made up of two SOA-sponsored members, two ASPA-sponsored members, and five at-large members. The current members of the committee, in order of length of service, are Don Segal, Ho Kuen Ng, Larry Peters, Carl Shalit, Pat Rotello, Andre Latia, Bruce Cadenhead, Ann Gineo, and Michelle Soderlund.

Historically, most members of the committee do reapply, but for various reasons one or more may choose to retire. At this time, it is not known how many will choose to retire, but it is expected that at least one and possibly three will. In any case, renewal is not automatic and the Joint Board does, when forming the new committee, look for diversity among its membership.

Accordingly, the Joint Board is now seeking applications from enrolled actuaries who are willing to volunteer substantial time and effort on behalf of the enrolled actuary community through service on the Advisory Committee. Applicants should be experienced enrolled actuaries who are thoroughly familiar with the topics on the EA-1 examination (compound interest and life contingencies on Segment A, pension mathematics on Segment B) and the EA-2 examination (practical application of pension laws).

Applicants must also be interested in the academic side of the enrollment process and can look forward to intensive day-long (and two-day-long) meetings reviewing questions with the Advisory Committee and members of the Joint Board. Each year, the Advisory Committee meets twice in Washington (in January and in late June or early July) and twice in other cities (in late March or early April and in late September or early October). Transportation, lodging, and meal expenses are reimbursed (subject to certain reasonable limits) by the federal government. Portions of the two Washington meetings, each of which can last as long as two full days, are devoted to pass mark setting and discussion of public agenda issues related to the enrollment examinations. In addition to the meetings, approximately 75 to 125 hours of preparation time per year are required. Several committee members also contribute additional hours by maintaining the drafts of the examinations and the examination program booklet and by dealing with other sundry matters that inevitably arise between meetings.

***"The upcoming two-year term promises to be particularly interesting because of the possible restructuring of the enrollment examinations** ..."*

The upcoming two-year term promises to be particularly interesting because of the possible restructuring of the enrollment examinations that the Advisory Committee currently has under review. It is expected that a proposal will be presented to the Joint Board this summer, and to the extent the Joint Board accepts the proposal, the implementation of the proposal, including transition requirements, will have to be worked out as will procedures for coordination with the SOA and ASPA examinations.

Service on the Advisory Committee is an excellent way to stay familiar with the technical side of the pension actuarial practice, particularly on topics on the EA-2 examination with its many nuances and ever-changing nature. Committee service also provides a strong sense of accomplishment in an area relevant to our practice, which is not always the case with other professional volunteer work.

Further, the Joint Board grants 18 core hours of continuing education credit to Advisory Committee members for each year of full participation on the committee. The opportunity to develop close camaraderie with experienced actuaries in private industry as well as in the federal government is also an appealing aspect of committee service.

Applicants for the Advisory Committee appointment should send a letter describing their credentials and experience (particularly mentioning any other professional committees on which they have served) to: Joint Board for the Enrollment of Actuaries, c/o Office of the Director of Practice, Internal Revenue Service, Washington, D.C. 20224. Questions may be directed to Robert Brauer, Joint Board Executive Director, at (202) 401–4226 or to me at (781) 344–4188. All applications received by September 3 are to be reviewed carefully by the Joint Board for the Enrollment of Actuaries. Later applications may not receive the same level of attention.

Carl Shalit, FSA, is president of Carl Shalit & Associates, Inc. in Stoughton, Massachusetts and Coordinator of the Joint Board Advisory Committee on Actuarial Examinations.

Minutes of the Retirement Plans Experience Committee Meeting

March 25, 1998
Washington, D.C.

IN ATTENDANCE: Ed Hustead (Chairperson), Vince Amoroso, Mike Virga, Diane Storm, Kevin Binder, John Kalnberg, Bart Prien and Tom Edwalds (SOA staff). Lindsay Malkiewich joined by phone.

ABSENT: Greg Schlappich and Julie Pope

OBSERVERS: Ethan Kra, Jim Holland, and Dave Gustafson, and Judy Anderson (SOA staff).

Technical Subcommittee

The committee agreed to accept the subcommittee's recommendations on mortality improvement factors from 1992 (the midpoint of the experience data for this study) to 2000. To help decide which factors to use, the subcommittee looked at our current data, SOA 90–94, Social Security 90–94 data, OPM 88–94, and the factors used to project the basic rates for the GAM94 table from 1988 to 1994. These factors will be applied to mortality for ages between 45 and 90.

The next task the subcommitte undertook was to construct data at the extreme old and young ages. Social Security data were used for ages 1–10 with a phase-in to our table data from ages 10–30. Retiree data were graduated from age 45 to 105. A cubic formula was applied for ages past 100. The known data were projected to the year 2000 and then the extreme ages were added in.

Age 45 *"q"*s were used for all disableds below age 45. The subcommittee should have a completed table by the May 14 meeting.

Discussion of the RFP

The SOA Pension Section has already approved $10,000 to be used for the multivariate study. Ethan has access to additional money from the Retirement Systems Practice Area of the Society of Actuaries. After much discussion of the five proposals received, it was decided to limit consideration to three finalists. A conference call will be arranged with the three finalists and the committee to clear up some of the questions about each of these three proposals. The major issues discussed and still under question are: (1) the presence of a practicing actuary, (2) the product, (3) the use of survival modeling, (4) treatment of missing data, and (5) the proposed cost of the study. Tentative dates for the conference calls are April 20 or 21.

Vince is concerned again about using amounts with the final table. Ed said the multivariate analysis will help to answer the question.

Drafting Subcommittee

The following items were discussed concerning Chapter One:

- Corrections to the first paragraph regarding RPEC.
- Technical changes in the references to other mortality tables
- On page 3, 70% should read 80%
- Explanation of midpoint year will be moved to a later section that discusses projections
- Revision to section on RPEC process.

Next Meetings

The next meeting will be on May 14 in Newark, New Jersey. Tom is coordinating the exact meeting place and time. Tentative agenda:

- Review use of amount variables
- Questions from the multivariate analysis conference calls
- Ethan's disability question: How and if a table might be constructed for use with disabled lives that don't meet Social Security standard.
- Mike and Kevin may build a blended table (if simple enough) for review for next meeting
- Drafting subcommittee report, Chapters 1–3
- Projection Scales past 2000.

The July meeting place and time will be changed. The tentative time and place is now Wednesday, July 22, from 10:00 a.m. to 2:00 p.m. in Washington, D.C.

Respectfully Submitted,
Diane M. Storm, ASA

NIA Publication Order Form

Enclosed with this edition of the *Pension Section News* is an order form for publications from the National Institute on Aging (NIA). As one of the National Institutes of Health, the NIA promotes healthy aging by conducting and supporting biomedical, social, and behavioral research and public education.

The NIA-sponsored Behavioral and Social Research Program (BSR/NIA) supports research on aging processes and the place of older people in society. The demographic research studies on the changing age composition of the population and the impact of the aging population on society are of particular interest to employee benefits actuaries.

Minutes of the Retirement Plans Experience Committee Meeting

May 14, 1998
Newark, New Jersey

IN ATTENDANCE: Ed Hustead (Chair), Vince Amoroso, Kevin Binder, John Kalnberg, Lindsay Malkiewich, Diane Storm, and Mike Virga. Bart Prien joined by phone. Tom Edwalds was present as Society support staff.

ABSENT: Julie Pope and Greg Schlappich.

OBSERVERS: Judy Anderson, Ethan Kra, and Don Segal.

Technical Subcommittee

Basic Tables

Kevin Binder presented the work of the subcommittee. This work largely represented a refinement of the tables presented at the March 25 meeting. Most of the discussion centered around the proposed ultimate mortality rate of 0.40. For males this rate is achieved at age 106; for women at age 115. Because of the sparsity of valid data, mortality rates between age 100 and the ultimate rate are approximated using a cubic polynomial.

The Committee agreed to accept the tables as presented. However, it was also agreed that the final report needs to include discussions on how to handle very old employees, very young retirees, and the appropriate uses of the Employee Table, the Retiree Table, and the Blended Table.

Long-Term Projection

The subcommittee recommended the continued use of Projection Scale AA as published with the 1994 Group Annuity Tables. The basis for this recommendation is:

- Trends from four major sources of data generally agree with Projection Scale AA predictions. These are Group Annuity Mortality, Civil Service Retirement, Social Security, and Railroad Retirement.
- There are not enough data in the current study to make any long-term mortality predictions.

The committee accepted the recommendation.

Testing

Kevin Binder and Diane Storm agreed to perform some sample valuations to test the impact of these new mortality rates. They will perform Accumulated Benefit Obligation valuations using a 7% interest rate and the following mortality assumptions:

- 1983 Group Annuity
- The New Active/Retiree Blended Table
- The New Tables using separate Active and Retiree mortality rates. In this option, deferred vesteds will be valued using the active mortality rates until they go into receipt.

Judy Anderson agreed to provide Kevin and Diane with a model population that they can use.

Drafting Subcommittee

The first three chapters were discussed. Among the changes recommended are:

- Chapter 2 will include a total of the number of life-years submitted that were excluded from the data used for the mortality tables.
- The data tables will be moved to the end of Chapter 2. These tables will reflect the final data actually used in production of the tables.
- The list of SIC Categories will be removed from Chapter 2.
- The definition of Annuity Size will be clarified.
- In Chapter 3, the second paragraph, remove the recommendation for using separate active and retiree tables.
- Add an insert that better explains the development of the amount- adjusted mortality rates and the graduation.

Research Contract

Tom Edwalds reviewed the status of the research contract. The contract has been awarded to the University of Connecticut. The revised amount is $25,263. Larry Pinzur has sent a letter to the researcher. When they return the letter, they will be provided with the data. Under the terms of the contract, the analysis and results are due by July 15 and the first draft of the final report is due by August 1.

Disability Mortality

The committee discussed the need for separate disability mortality tables to reflect the distinction between whether or not someone is eligible for Social Security disability benefits. The Committee agreed that this issue needs to be acknowledged and discussed in the final paper. However, the study data are probably not sufficient to produce different tables or specific recommendations.

Next Meetings

The next meeting will be on July 22 in Washington, D.C. Tentative agenda:

- Discussion of generational mortality
- Preliminary results from research contract
- Continued review of report drafts.

The meeting after that is tentatively scheduled for September 15. It will be held in Hartford, Connecticut so that the researcher can attend.

Respectfully Submitted,
John F. Kalnberg, ASA

Minutes of the Pension Section Council Meeting

March 22, 1998
Washington, D.C.

IN ATTENDANCE: Carol Zimmerman (Chairperson), Amy Timmons, Amy Viener, Martha Moeller, Colin England, Lindsay Malkiewich, Michel St. Germain, Lee Trad, Dan Arnold, Anna Rappaport, James Kenney, and Judy Anderson and Lois Chinnock of the SOA staff.

APPROVAL OF MINUTES. The minutes of the January 9, 1998 meeting were approved.

SPRING MEETING. The Spring meeting will be held in Hawaii in June. The meeting is almost fully recruited. The Council discussed which sessions were still lacking speakers and identified several possibilities. It was reported that the Retirement System Practice Council requested our assistance in paying for one of the speakers it recruited. Its request was turned down.

The reception, which was jointly sponsored with the Health Care Section Council, appeared to be much more expensive than envisioned. Due to the potential costs, the menu was revised to a more modest assortment of beer, wine, soda, and cheese and crackers, along with reservations for groups at nearby restaurants. Sign-up sheets are expected to be posted for the different reserved tables. Lois will discuss this idea with the Health Section Council. The goal is to reduce the Pension Section's share of the cost to no more than $10,000.

PUBLICATIONS. We thanked Dan Arnold for his years of publishing *Pension Section News*. The Section provided him an all-expense-paid football weekend at the University of Michigan. A flyer will also be included in *Pension Section News* thanking him for his efforts.

- ***The Center for Strategies International Studies—Publication.*** This organization recently published a booklet on Social Security and requested our assistance in circulating it. To further our goal of keeping members informed, we agreed to describe the publication in the *Pension Section News* and let our members know how to obtain a copy.
- ***Pension Forum***. The Cash Balance plan supplement to the turnover study prepared by Larry Sher and Steve Kopp will be published in *Pension Forum*.
- ***Statistics for Employee Benefits Actuaries***. This publication has been delayed because of delays in receiving data. Judy will put a note in the next newsletter, soliciting comments about the need to continue publishing this information.

PENSION BOOT CAMP. Rather than hold a seminar, it was decided to prepare a CD-ROM that will teach pension/actuarial basics to people entering the field. The first step is to find someone to develop the course content. The following people will work on the RFP: Amy Timmons, Lee Trad, Martha Moeller, Lindsay Malkiewich, and Carol Zimmerman.

We also need a list of potential vendors. We expect that the RFP will be vague, with the responses driving what is done in the initial stages.

MEMBERSHIP SURVEY. Amy Timmons' draft survey was discussed. After a few changes are made, it will be distributed to members (via the April issue of *Pension Section News*).

NOMINATIONS FOR ELECTION TO THE COUNCIL. Nominations must be submitted by the end of May.

RESEARCH/FUNDING. At the January meeting, we deferred a decision on the Actuary's Career Planner. At this meeting we voted against helping underwrite this project.

We agreed to contribute up to $10,000 to help fund the mortality table study, which will hopefully be mandated by IRS/Treasury after the year 2000 for IRC 412(l), 417(e), and 415.

We were asked to fund a second investment boot camp (advanced version). We need more information and will not fund for 1998, but may for 1999. Joe Macauley will provide the requested information before our July meeting.

COMMITTEE REPORTS. Judy suggested we do more to coordinate with the Committee on Practice Advancement and other practice area committees.

Carol will attend the May meeting of that committee.

ANALYSIS OF MEMBER DESIGNATIONS. Nancy Behrens has looked into this. Judy told us about the results (relating EA, ASA, and FSA designations). Judy will distribute the memo, and we should send her comments on getting actuaries to FSA and what courses (and related materials) should be available for FSAs.

TREASURER'S REPORT. Martha reported on the changes in our finances.

OTHER. Judy described a documentary that's being made in honor of the 25th anniversary of ERISA. Amy Viener will try to review some materials about the documentary and report back on whether it looks like something that would benefit our members.

NEXT MEETING. The next Pension Section Council meeting is scheduled for Monday, July 13, in Toronto.

Respectfully Submitted,
Amy Viener, ASA

Minutes of the Mortality Projection Working Group Meeting

March 30, 1998
Dallas, Texas

In Attendance: Marilyn Oliver, Joe Applebaum, Larry Pinzur, Zenaida Samaniego, Arnold Shapiro, Mike Virga, Henry Winslow, and Tom Edwalds and Judy Anderson (SOA staff).

The meeting opened with a general discussion. The issues raised included the following:

Software

- Will more valuation systems be upgraded to handle more sophisticated mortality projection?
- Many life insurance companies are using mortality projection in their annuity-pricing models, either fully generational or based on a series of adjustments or age setbacks.

Impact of Mortality Improvement on Calculations

- If mortality is not projected but continues to improve, annual losses may be small but more significant effects would be expected on plan termination liabilities and funding targets.
- Mortality improvement is more important in life company reserves because the assumptions used are more difficult to change. Since the GATT mortality table is intended to calculating "current liabilities" similar to plan termination liabilities, would margins and projections have the same basis as tables used to calculate life company reserves?
- How significant is the effect of mortality projection on defined- contribution plans and financial planning goals?

The working group discussed how best to follow up on the project Impact of Mortality Projection on Social Security in North America. The discussion included the following points:

Materiality of Projecting Mortality in Valuations

- After some initial research into current valuation programs, it does not appear that a system exists that can project a population using generational mortality and then value the pension plan using a variety of stable and projected mortality assumptions.
- If we write an RFP for this portion of the project and hire a researcher, to what extent would we be financially supporting the development of a private model that may not be available to the larger membership?
- Mike Virga may be able to run some preliminary results on the CSRS plan, providing figures on entry age normal accrued liabilities and the present value of accrued benefits.

  Given the potential difficulties in this portion of the project, the working group put it on hold until the July meeting.

Deliverables Considered

- Filling gaps in the Social Security mortality improvement project
- Better methods for estimating future mortality improvements
- Techniques for reflecting anticipated mortality improvement
- Evaluation of past approaches, including Projection Scale AA
- Past mortality improvement as it compares to the projection scales then in use.
- Evaluation of our current methods of analyzing mortality, that is, actual to expected ratios, which neglect the changing nature of mortality rates or measures of gain and loss which only look at the current period.

The group continued to be concerned with defining the project's audience and goal.

A suggested approach to proceeding would be to split into two subgroups, focusing on (1) methods and credibility of results and (2) materiality. Each group could then make recommendations on where to go from here.

Marilyn and Judy will refine this list of considerations for the next meeting.

Respectfully Submitted,
Judy F. Anderson, FSA
Staff Fellow

Minutes of the Joint Meeting of the Committee on Retirement Systems Research and the Committee on Retirement Systems Professional Education and Development

March 31, 1998
Dallas, Texas

In Attendance: CRSR: Larry Pinzur-Chair, Gerry Campbell, Zenaida Samaniego, Bill Torrie, Mike Virga, Henry Winslow; CRSPED: Marilyn Oliver (Chair), Mary Adams, Joe Applebaum, Doug Borton, Neil Parmenter, Beverly Rose, Arnold Shapiro; and Tom Edwalds and Judy Anderson of the SOA Staff.

Administration

Future Meetings

The next meeting of the committees will be held in July in San Francisco. The Mortality Projections Committee and Retirement Needs Framework Committee will meet on Thursday, July 16, 1998. On Friday, July 17, 1998 the Committee on Retirement Systems Research (CRSR) and the Committee on Retirement Systems Professional Education and Development (CRSPED) will meet jointly then separately.

Because the SOA Annual Meeting will be held October 18–21 in New York, the fall meeting of the CRSR and CRSPED will be held Thursday, October 15, in New York. The Mortality Projections Committee and Retirement Needs Framework Committee will meet on Friday, October 16, 1998. The Asset Valuation Methods Project Oversight Group may also meet on that Friday.

Chairperson's Report

Feedback on Turnover and Retirement Rates Study

Some disappointment was expressed about the shortcomings in the data and that the study did not produce a set of tables. The Committee on Retirement Systems Practice Advancement (RSPAC) has requested that the CRSR redo the study with better data.

Two of the large consulting firms represented do not have data in the level of detail that would be required. They can reconcile their beginning and end-of-year census data with the increments and decrements in total, but not by age/gender cell. The committees discussed data problems and the data environment for a new turnover study.

The Nonmortality Decrements Task Force (NMDTF) is drafting a letter to potential data contributors for a future study, asking what is currently feasible and what could become feasible, also indicating what would be ideal. The committees urged the NMDTF to try to get data from mid-sized plans as well as large plans. The real need is for a turnover table for smaller plans to use, since large plans can use their own experience. The CRSR will reconstitute the NMDTF for a follow-up study and will revisit this topic at future meetings. The draft letter will be distributed to the RSPAC, CRSR, CRSPED, and NMDTF.

Comparative Effects of Turnover Paper

The authors agreed to remove an appendix from the paper that the CRSR and CRSPED found especially troublesome, and the Pension Section Council approved the revised paper for publication in the *Pension Forum*. One of the authors of the paper will submit an additional opinion piece to *Pension Forum* presenting his views on cash balance plans. The only oversight responsibility of the CRSR for this paper was to ensure that the data confidentiality agreements were not violated.

Symposium on Economic Assumptions for Social Security

Neither the CRSR nor the Social Security Committee endorsed the idea for a symposium on economic assumptions for Social Security. The CRSR thought that a symposium on demographic assumptions (retirement, turnover, and so on) would be more appealing.

Research Effectiveness Task Force (RETF)

The RETF recommended that there should be more top-down direction of research. This means that the RSPAC will be given the opportunity to provide more input on which projects the CRSR should pursue.

ASPA

ASPA has established a Political Action Committee (PAC).

Mortality Projections

The Civil Service Retirement System data will be valued using generational mortality, and some other calculations will be done. The committee is focusing on estimating actuarial losses due to failing to recognize mortality improvement and comparing methods of projection. The CRSR and CRSPED discussed theories of mortality improvement and the findings from the project on the impact of mortality improvement on Social Security.

Macrodemographic Model Feasibility Study

Progress is being made, but chapters on SSASIM and PIMS are still incomplete. At this point, it appears reasonable to publish the final report as a monograph. There was optimism that a complete draft could be ready by the end of the summer.

Pension Plan Mortality Study

The basic tables should be completed by the May 14, 1998 meeting of the RPEC. The RPEC projected the data from its 1992 midpoint to the year 2000 assuming 1% annual improvement in mortality for males at key ages, but no improvement for females. The tables were adjusted to reflect liability

continued on page 16, column 1

Joint Meeting
continued from page 15

amounts by estimating the ratio of amount-based mortality to lives-based mortality by age and gender from the subset of data for which amounts were reported, then applying this ratio to the lives-based mortality calculated from all of the data. The RPEC extended the tables to age zero (by using Social Security data for healthy lives) and age 120 (by fitting a cubic polynomial between age 100 and an ultimate mortality rate at about age 112). Disabled life q_xs will be held constant at the q_{45} value for $x < 45$. The RPEC will also create a combined healthy and disabled table for annuitants.

The SOA received five responses to the RFP for Multivariate Analysis of Pension Plan Mortality Data. The RPEC reviewed the proposals and narrowed their focus to three of them. The RPEC will interview these three prospective research teams on April 20 and then decide which proposal to fund. This analysis should be complete by August.

The issue of mortality projection after the year 2000 is still undecided. The RPEC expects to address this issue at the May 14 meeting. It was suggested that the RPEC include analyses of both generational and static mortality tables. The RPEC hopes that the final tables produced from this study will be adopted for current liability and lump-sum calculations. The final report should include some discussion of lump-sum calculations, because they frequently stimulate questions from participants. If the SOA could produce software available to non-actuaries to calculate minimum lump-sum values, it would be great public relations. Only minimum values need to be calculated, because participants would not complain about getting more than the minimum if the plan made a more generous calculation. Such software could be available on the Internet. In practice, the actual calculation of lump sums is frequently not done by actuaries and errors have been found.

Retirement Needs Framework

Sixteen abstracts were received in response to the call for papers. Topics include modeling, the frail elderly, spouse issues, and organized labor, among others. All abstracts were accepted for the project. The papers will be presented at a conference scheduled for December 10 in Orlando and published. The conference brochure will be mailed no later than September. The conference will be either one-and-a-half or two days of non-core EA credit.

Actuarial Aspects of Cash Balance Plans

An RFP is being drafted for a survey and research on valuing unusual features found in cash balance plans. The final product may be a monograph. Unusual cash balance plan features include directed investment of notional accounts and past service credits.

Asset Valuation Methods

A second wave of surveys has been mailed, and a few responses have already been received. The POG expects to continue to get responses through April. The researchers will track the first-wave and second-wave responses separately. The POG hopes that a preliminary report will be available in time for the San Francisco meeting, and that it will be able to start the next phase soon afterwards. The next phase is the analysis of various methods compared to possible objectives (for example, stable FAS expenses, largest tax deduction, smallest cash outlay).

Respectfully Submitted,
Thomas P. Edwalds, FSA
Staff Actuary

Administration on Aging Needs Your Help!

Help solve pension miscalculation problems. Apply at the nearest Administration on Aging Pension Information and Counseling demonstration project.

Since 1994, the Administration on Aging has funded nine Pension Information and Counseling demonstration projects around the country. These projects were created to assist people who are experiencing a problem or have a question about their pension/retirement plan. The demonstration looks at creative ways to use retirees and other community resources in solving problems that individual plan participants are experiencing.

The types of problems that have come into the projects range from pension miscalculations to divorced spouses looking for a share of the pension. Other problems include pension integration issues, conversion of pensions to lump sums, pension denials, and mergers that create lost files and incorrect investment allocation in defined-contribution plans. All the projects have been faced with difficult questions and problems, and each has tried to recruit experts who will give pro bono time helping resolve these problems. In many instances, an actuary can easily and quickly provide the type of technical expertise that will solve the problem.

All the projects need actuaries who will help on cases that require technical expertise on pension calculations. Some of the projects have been fortunate in identifying and recruiting a small number of actuaries and others have not. At risk are the pension plan participants, who most often have small amounts of money at stake but for whom it is significant. Getting help that does not cost them out-of-pocket expense is one of the reasons the projects exist. Each project has searched for actuaries who will help but more are needed.

A year ago, the Society of Pension Actuaries and the American Academy of Actuaries began developing a Pension Help Registry. Contact Ron Gebhardtsbauer at the Academy by phone at (202) 785–7868, fax (202) 872–1948, or e-mail <Gebhardtsbauer@actuary.org>. This registry will be provided to DOL field offices and also to the Pension Information and Counseling Programs.

If you would like more information on the projects, contact Nancy Wartow at the Administration on Aging (202) 619–1058 or call the Pension Rights Center (202) 296–3776 and ask for Greg Moore.

Call today. Get involved. Your help will be appreciated beyond belief!

See you in the Big Apple!

Continuing Education Update

by Barbara S. Choyke

Below is a list of sessions offered at the 1998 Annual Meeting in New York in October as well as any seminars tentatively in the planning stage. Check our web site at http://www.soa.org for up-to-date information.

Monday, October 19, 1998

10:30 a.m.–12:00 noon	Current Pension Product and Pricing Development	NC Credit: 90 minutes
2:00–3:30 p.m.	Pension Rulings and Regulations Update	C Credit: 90 minutes

Tuesday, October 20, 1998

8:30–10:00 a.m.	The Changing Look of Retirement Plans	NC Credit: 90 minutes
8:30 a.m.–12:00 noon	New Associates' Professionalism Course and Breakfast	C Credit: 120 minutes
10:30 a.m.–12:00 noon	Legal and Actuarial Considerations in Modifying a Retirement Program	C/NC Credit: 90 minutes
	Practical Applications of Derivatives: A Case Study	NC Credit: 90 minutes
	A Minicourse in "Financial Economics: With Applications to Investments, Insurance and Pensions"	NC Credit: 90 minutes
2:30–4:00 p.m.	Plan Design Issues: The Corporate Perspective	NC Credit: 90 minutes
	A Minicourse in "Financial Economics: Applications to Investments, Insurance and Pensions"	

Wednesday, October 21, 1998

8:00–9:30 a.m.	Credit Enhancement of Guaranteed Investment Contracts and Funding Agreements	NC Credit: 90 minutes
	Plan Design Issues: The Employee Perspective	NC Credit: 90 minutes
	Comparison of Programming Languages for Actuarial/Financial Purposes	NC Credit: 90 minutes
10:30–11:30 a.m.	Retirement Plan Design: Case Studies	NC Credit: 90 minutes
	Technical Writing	NC Credit: 90 minutes
1:00–2:30 p.m.	Credit Disability Tables (CDT) for Pricing and Valuation	NC Credit: 90 minutes
	Computer Models for Retirement Policy Analysis: What Value Can Actuaries Add?	NC Credit: 90 minutes

Tentatively Scheduled Seminars

December 10–11	"Retirement Needs Framework," Buena Vista Palace, Orlando, Florida, Tentatively NC
December 14–15	"Actuarial and Financial Modeling Conference II," Buena Vista, Orlando, Florida, Tentatively 2/3 NC
Date TBA	The Lost Art of Estimation (Location TBA), Credit TBA
December	Teleconference—Topic to be announced
Anytime	Hybrid Plan CD-ROM ($99 + $5 shipping and handling) C/NC Credit: 150 minutes

The SOA will be arranging roundtable discussions on meeting topics for 2–3 hour core/noncore credit in November. Details will be available soon. Groups of at least three participants are needed per location.

Barbara S Choyke is Director of Continuing Education at the Society of Actuaries in Schaumburg, Illinois.