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## Chairperson's Corner

by Carolyn E. Zimmerman

First of all, let me congratulate the newest members of the Pension Section Council—Bruce Cadenhead, Adrien LaBombarde, and Sylvia Pozezanac (our new Canadian representative). I also want to give a sincere thanks to the departing members of the Council, Amy Viener and Michel St. Germain. And while I'm at it—congratulations to our new officers: Amy Timmons, Chairperson; Colin England, Vice-Chairperson; Sylvia Pozezanac, Secretary; and Lindsay Malkewicz, Treasurer.

It looks like the new Council is already off to a good start, beginning to plan the program for the 1999 Spring Meeting in Seattle, June 16 through 18. Based on the feedback we received from the Maui meeting this past spring, we have decided to continue the concept of a "seminar-within-a-meeting," with a complete "track" of sessions on plan design. Part of this process is finding qualified speakers for each session

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## Capital Market Assumptions— The Past Performance Future Returns Debate

by Jane Arnold and  
Jennifer Donnelly

world—the markets began to show their  
stuff.

### Explicit Investment Assumptions

With the requirement that actuaries use explicit investment assumptions, more attention than ever must be paid to a pension plan's asset allocation strategy. Questions still remain, however. Given the plan's mix of asset classes, what is the appropriate investment assumption to use? What is the best technique to derive appropriate assumptions, and what is a defensible conclusion?

At the time this article was being submitted, these questions seem even more critical. The worldwide volatility in August and September has gripped everyone's attention. Just when fiduciaries and other investors were getting complacent—increasing equity allocations without a care in the

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## Minutes of the RSPA Committee continued from page 18

### Social Security—Retirement and Disability Income

- a. The committee is working on a brief paper that will attempt to isolate the issue that all sides of the Social Security debate can agree on.
- b. There was a proposal to do a symposium on economic assumptions for projecting Social Security. The committee did not believe that this was the best forum for the SOA. However, it will be considering a symposium on the non-mortality demographic assumptions.

### Pension Section Council

- a. The Pension Section Council will be releasing a request for proposal on designing a CD-ROM on pension basics.
- b. The Pension Section is sponsoring a seminar on mergers and acquisitions, a track on effective consulting, and another track on technical concerns at the Maui meeting.

## 7. Liaison Reports

### Canadian Institute of Actuaries (CIA)

- a. A CIA Committee is reviewing the minimum transfer value standard. The GATT mortality study may be helpful for this effort.
- b. The CIA would like to get the Canadian mortality project moving again, particularly in light of the review of minimum transfer values.
- c. CIA has a task force reviewing pension plan funding.

### American Academy of Actuaries

- a. A number of legislative proposals are being reviewed.
- b. Ron Gebhardtsbauer has been speaking at a variety of forums on Social Security.

### Actuarial Standards Board

- a. A new standard on demographic assumptions should be ready for exposure soon.
- b. The ASB pension committee is discussing the appropriate focus for a standard on actuarial cost methods.

## 8. ERISA Documentary

The RSPA committee received a proposal for a documentary on the first 25 years of ERISA. The committee will support this but with some input into content to be sure that it remains unbiased. The practice area is contributing \$5,000 conditional on other funding for the project. They will also encourage the Pension Section and the Actuarial Foundation to contribute.

## 9. Committee on Knowledge Extension Proposals

The RSPA Committee was forwarded two proposals from CKER—one on Social Security and the other on modeling. The committee will request additional information on the anticipated deliverable from the proposal on Social Security before referring it to the Retirement Systems Research Committee.

One of these proposals received partial funding from CKER anticipating additional practice area funding. The other proposal received a grant contingent on funding from the research committee. In the future, the committee is requesting that CKER get input from the practice area earlier in the process.

## 10. Next Meeting

The next meeting will be held in Boston at the end of August or the first week in September.

*Respectfully Submitted,  
Judy F. Anderson, FSA  
Staff Fellow*

## Minutes of the Committee on Social Security Retirement and Disability Income Meeting

June 21, 1998

**In Attendance:** Rob Brown, Bernard Dussault, Ron Gebhardtsbauer, David Knox, Robert Katz, Sam Gutterman, Mike Sze, and Judy Anderson (SOA staff).



### Committee Paper on Social Security, Productivity and Demographics

The committee reviewed the most recent draft of the paper. A new draft will be circulated and discussed in a conference call in August. It is hoped that the paper will appear in the *North American Actuarial Journal (NAAJ)*.

### Call for Papers/Competition

The committee discussed the possibility of doing a call for papers with the intent of eliciting fresh ideas and increasing the attention of actuaries on Social Security issues. This will be discussed further at the next meeting.

### Conference/Symposium on Demographic Assumptions Other than Mortality

The Committee discussed possible focus for this program. It was initially envisioned as being similar to "The Impact of Mortality Improvement on Social Security in the U.S., Canada and Mexico." Retirement age was mentioned as being the most interesting assumption, however, the committee thought that it may be more appropriate to address the whole block of demographic assumptions. This will be discussed further at the next meeting.

*Respectfully Submitted,  
Judy F. Anderson, FSA  
Staff Fellow*

# Minutes of the Retirement Plans Experience Committee Meeting

September 13, 1998  
Hartford, Connecticut

**In Attendance:** Ed Hustead (Chairperson), Vince Amoroso, Kevin Binder, John Kalnberg, Bart Prien, Diane Storm, and Mike Virga. Tom Edwalds was present as Society support staff.

**Absent:** Julie Pope, Greg Schlappich, and Lindsay Malkiewich.

**Observers:** Ethan Kra, Larry Pinzur, and Judy Anderson (SOA staff).

**Researchers:** Charles Vinsonhaler and Nalini Ravishankar.

The researchers presented their report. They found distinct patterns by amount and collar but could not fit these to a model readily usable by pension actuaries. They were asked to add some explanation but the report was accepted pending those changes.

The report is part of the basis for Chapter 5 on Relative Mortality. The Committee agreed that the Chapter

should begin with a presentation of findings on the differences of mortality by amount and collar and a summary of the research report findings. The Chapter will conclude with recommendations to actuaries on uses of the differences. The recommendations will be determined at the next meeting. The researchers report will be published separately so that full information is available.

The Committee discussed the recommendation on a projection method. The Committee agreed to recommend that the generational method is the preferred method but, if the generational method is not used, then the actuary should project mortality using a static table approach. The actuary should consider the average duration of the annuities and the period of time over which the table is to be effective. As an example, the report will include the mortality table projected to 2010.

The following writing assignments were delegated:

- Chapter 5 (except for recommendations), Mike
- Chapter 6, Mike
- Chapter 7, Diane
- Chapter 8, Kevin.

The next meeting will be held at 10:00 on November 11 at Kevin's office in Washington, D.C. The Committee will review the draft of the full report with the exception of the recommended use of mortality differences.

The next, and probably final, meeting of the Committee will be on January 20, 1999 in Washington, D.C. to review the final draft of the paper. The Committee plans to send the final report forward in February 1999. This should allow sufficient time for an Exposure Draft to be distributed to actuaries in the Fall of 1999.

*Respectfully Submitted,  
Edwin C. Hustead, FSA  
Chairperson  
Retirement Plans Experience Committee*

## Chairperson's Corner *continued from page 1*

(including the seminar on plan design and other topics as well), so please let Council member Lee Trad or Kathy O'Neill of the Society office know if you are interested in speaking at this meeting.

Some of you may remember completing the surveys that was sent out earlier this year. The purpose of this survey was to see whether we were focusing on activities, publications, and so on, that were important to you, the members of the Pension Section. We received more than 600 responses, which have been tallied (more on the results in the next issue of *Pension Section News*). These have already been helpful. From the survey responses, it is clear that members are looking for more information on plan design, hence the plan-design seminar in the 1999 Spring Meeting.

And now for the bad news. We have come to a point where it is necessary for us to raise the dues for Pension Section membership. We have been able to hold these dues at the same level for the past

seven years, but have seen our funds steadily decrease as we respond to requests to sponsor research, seminars and the like. Recently, we have had to decline several worthwhile projects because of lack of funds, especially since we have earmarked a good portion of our current balance to a project developing a training program for entry-level actuaries. Therefore, the Council voted to increase the dues to \$25 per year, effective in 1999.

As my term ends, I guess it's only natural to look back over my last three years on the Pension Section Council. I have thoroughly enjoyed working with the Council and have gained a new appreciation for the work that is done by the Society of Actuaries and for the support of the SOA staff. I am also very grateful to Dan Arnold for all his work in coordinating *Pension Section News* and other Pension Section publications—the Pension Section gets accolades for publishing with the most regularity, but it would not happen without Dan.

I had hoped to get farther on the entry-level actuarial training program that we planned to begin this year. However, we have finally received some response from actuaries interested in working on this project, and so I am hopeful that the new Council will be able to report some progress in the near future.

I am pleased with what we have accomplished; it is gratifying to hear people discussing how much the SOA Spring Meetings have improved and to see the results of some of the research projects we have funded. I have no doubt that these accomplishments will continue with your new Council. It is made up of outstanding people, and you are in very good hands!

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