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Chairperson's Corner

by Amy S. Timmons

As the new Chair to the Pension Section Council, I wanted to let you know what the main issues and concerns of the Council members are and what we're trying to do about them.

The biggest issue faced by the Pension Section Council is the need to demonstrate to pension actuaries the value of belonging to the Society of Actuaries and, particularly, the Pension Section. We continually have discussions on how best to serve our members given that fewer and fewer Pension actuaries are attaining Fellowship and the lack of credit for the Enrollment exams towards Associateship in the Society. Employers typically place greater importance on Enrollment rather than membership in the Society. Therefore, we are striving to "add value" (as the latest buzzword goes) to your membership in the Society and the Pension Section.

To demonstrate the value of your membership in the Society and the Section, we have set a major goal for

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Summary of 1999 IRC, PBGC, Federal Income Tax, Social Security, and Medicare Amounts

by Heidi R. Dexter

IRC Qualified Retirement Plan Limits

IRS annually adjusts qualified plan limits for increases in the cost of living. The 1999 limits reflect third quarter CPI increases from 1998 to 1999, and they are rounded down to multiples of \$50, \$500, \$5,000, or \$10,000. The table on page 3 shows the 1999 limits before rounding and a five year summary of rounded IRC qualified plan limits. Low inflation during the past year (1.6%) kept most limits at their 1998 levels. (See Table 1, page 2)

PBGC Guaranteed Benefits

The maximum PBGC guaranteed monthly benefit is adjusted annually based on changes in the Social Security contribution and benefit base. For a single-employer defined benefit plan terminating in 1999, the maximum guaranteed benefit will be \$3,051.14 per month—a 5.9% increase over the 1998 limit of \$2,880.68. This amount is adjusted if benefit payments start before age 65 or benefits are paid in a form other than a single-life annuity.

Federal Income Tax Factors

Federal income tax factors are adjusted annually based on year-to-year changes in the average cost of living (CPI-U) for the 12 months from September through the following August. Federal income tax factors increased 1.6% from 1998 to 1999, before rounding. (See Table 2, page 4)

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this year to commence with the development of a basic pension course for entry-level actuaries to be produced on CD-ROM. One of the continuing concerns of the Council members has been the amount of time and effort needed to train entry-level actuaries on basic pension terms, valuation methods, and governmental requirements. New actuaries are not learning these things in college or now, with the new exam syllabus, through the actuarial examination process. Every employer is faced with this issue and how best to quickly and efficiently bring these actuaries "up to speed."

Our intention is for the development of this basic pension course on CD-ROM to shorten this learning curve. Through the use of the CD-ROM course, entry-level actuaries can learn pension basics as they come on staff and at their own speed. Employers will not have to devote as much senior actuaries' time in training on pension basics and can focus on teaching the actuary how the employer does business. We feel this will directly benefit our Section members and provide needed training to entry-level actuaries that is not now readily available to any sized firm.

Our second issue is the need to coordinate more closely with the Enrolled Actuaries, the Conference of Consulting Actuaries, American Society of Pension Actuaries, the American Academy of Actuaries, and other organizations that offer seminars and training to pension actuaries. Given that some of these organizations are much more effective at delivering continuing education to pension actuaries, the Council has declined to organize sessions at the annual SOA meeting due to the conflict with the Conference annual meeting. The Council continues to desire consolidated meetings with the other organizations but has been informed that this is an SOA Board of Governors' issue and not within the Council's control. However, where possible, we will be pursuing co-sponsorship of seminars or, at least,

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Retirement Needs Framework

by Anna Rappaport

Pension actuaries are faced daily with the need to consider the implications of an aging society. Social Security and pensions are growing in importance as the percentage of elderly in the U.S. grows with the aging of the Baby Boom. Actuaries are needed to participate and help shape solutions to the emergence of critical issues in our society. The Society of Actuaries' Retirement Systems Practice Area took up the challenge to respond to these issues with the Retirement Needs Framework project.

This project began with a call for papers followed by a conference that was held last December. The organizing group, chaired by Marilyn Oliver, continues to discuss additional research.

The project is focused on understanding post-retirement events and risks, understanding modeling approaches for working with these risks, and searching out data. The organizing group began with identification of post-retirement events and then sought out the best way to move ahead to help actuaries address the financial effect of these events. Post-retirement risks include inflation, death of a spouse, changes in health status, changes in housing needs and changes in interests and avocations.

A call for papers was issued and 15 papers were submitted. The modeling approaches applied included:

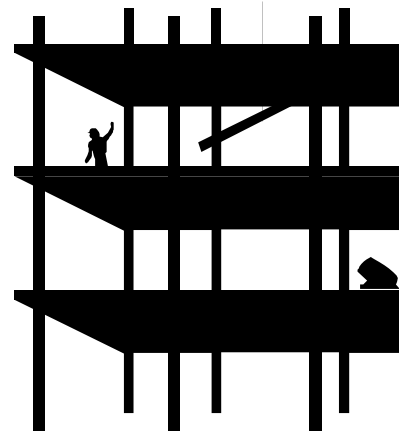
- Markov chain models to estimate transitions between different states of health and time spent in each state. Papers written by Bruce Jones and Eric Stallard used these models.
- Stochastic modeling of alternative investment and withdrawal strategies in order to analyze the

effects on the chance of ruin.

- Comparisons of annuity payouts with different distribution strategies and ancillary benefits.

The papers were presented and discussed at a conference. The papers were grouped into the following six panel topics. Author presentations were followed by prepared comments and open discussion from the floor.

- Identifying Retirement Needs
- Modeling Post-Retirement Needs
- Modeling Post-Retirement Investments



- Examining Preconceived Notions
- Special Issues for Women
- Managing the Risk

Participants at the conference were multi-disciplinary, including actuaries, attorneys, economists and demographers. The conference was extremely important to this wide audience because so much of the research around retirement focuses on the period before retirement rather than on events and risks that occur after retirement and ways to manage them.

Several discussions at the conference covered definitions of retirement and how patterns of retirement are changing. Retirement

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distribution of announcements for such seminars to the other organizations.

Pension actuaries are unlike life insurance or casualty actuaries in that the Society of Actuaries typically plays a secondary role to Enrollment requirements. For technical, up-to-date information, most pension actuaries attend the Enrolled Actuaries' meeting. For training on management issues or client relations, many pension actuaries look to the Conference of Consulting Actuaries. Competing meetings and redundant topics provide little value to our membership.

Therefore, the Council's response has been to try new approaches to continuing education within the Society's spring meeting. Last year, at the Hawaii spring meeting, we offered a seminar within the meeting on mergers and acquisitions. The seminar was structured to cover all aspects of mergers and acquisitions and included experienced professional and a continuous theme, each session building on the prior session. This approach was well received by the pension actuaries in attendance at the meeting. This year, at the Seattle spring meeting, we will continue this concept with a series of sessions on plan design—a seminar within a seminar if you will.

We have also tried to add particular sessions to the spring meeting to address the loss of practical pension knowledge. At the 1998 spring meeting, one of the sessions offered was "The Lost Art of Estimation." This session was a refresher course on those "rules of thumb" every senior actuary uses



when placed on the spot in a board meeting or with a client to "just give a guess" on what the impact will be of a plan or assumption change. This session was a sell-out with a standing-room only crowd (if you can believe that!). Obviously, this is information that is not being taught to newer actuaries and that there is a definite need for. Therefore, we will be expanding this session into a one-day seminar for those of you who

couldn't make it to Hawaii.

The Pension Section Council wants to add value to your membership, represent your interests to the Society, and address the needs of pension actuaries. Our focus in the next year will be to continue moving from simply talking about the problems to actually

doing something to resolve them. Hopefully, we can succeed!

Amy S. Timmons, FSA, is consulting actuary at The Segal Company in Englewood, CO and Chairperson of the Pension Section.

Minutes From The Pension Section Council Meeting in Boston, Monday, October 5, 1998

Attendees: Daniel Arnold, Bruce Cadenhead, Colin England, Adrien LaBombarde, Lindsay Malkiewich, Martha Moeller, Sylvia Pozezanac, Lee Trad, Amy Viener, Carolyn Zimmerman and Judy Anderson and Lois Chinnock (SOA staff)

1. **Welcome**

2. **Additional Items for Agenda Seminars**

3. **Approval of Minutes, July 13, 1998 meeting**

The minutes of the July 13, 1998 meeting were approved.

4. **Election of Officers**

The following officers were elected:
Chair - Amy Timmons

Vice-Chair - Colin England
Treasurer - Lindsay Malkiewich
Secretary - Sylvia Pozezanac

5. **Membership Survey Results**

A brief overview of the membership survey results was given. Adrien LaBombarde will write an article summarizing survey responses for the *Pension Section Newsletter*. Responses will also be posted on the SOA

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