The Actuary

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The Actuary

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EDITORIAL

THERE is a story, probably apocryphal, about *The Marriage of Figaro*, that Mozart, just before the curtain went up on the first performance, discovered that he had omitted to furnish an overture. Nothing daunted, he sat down and in no time flat dashed off the score of the overture.

The Editorials of *The Actuary* are frequently produced as the last item in the issue but not, alas, with literary brilliance comparable to the musical brilliance of Wolfgang Amadeus. The overture is usually a summary of the main musical themes of the opera, a taste of what is to come. Following this pattern perhaps the editorial could comment upon some of the contents of this issue.

The supplement containing Don Cody's analysis of the financial effects of the 1977 Amendments to the Social Security Act is worth your attention. As the author points out, this is an area in which all actuaries should be interested as citizens as well as actuaries and the actuarial profession should be available for guidance, both present and future, in maintaining a satisfactory Social Security system.

Membership Requirements may well be the dominant theme of future issues and deservedly so because the profession is trying to build a basic structure for the future. The problems of reorganization of the profession are many and very difficult. Comments on Mr. Boynton's letter are welcome and we hope to be able to publish some of them in our pages.

Mr. Shannon comments on what the future holds for ERISA and there is no question but that the future for all actuaries concerned with pension plans is going to be very lively. This will be no short term future.

Perhaps one of the most interesting themes is the review of the book on investments. Mr. A. Athanassiades suggests that this is a volume for all actuaries from students through Associates to Fellows. The future investments of both insurance companies and pension plans are not likely to show the same pattern as they have today and the actuaries can and should be more active in the investment area.

As in an opera there are secondary themes which may not have a place in the overture but play an important part in the whole work.

So ring up the curtain! *A.C.W.*

TO BE CONTINUED

Editor's Note: This article is submitted by the Committee on Retirement Plans. Comments will be welcomed by the Committee and by the Editor.

After ERISA, What?

By A. Guy Shannon

The passage of ERISA confronted most consulting actuaries with a couple of interesting staffing problems. First, how to get through the ERISA crunch, the three or four years of extra effort to digest the law and the initial regulations change plans and assumptions, and make some preliminary peace with the new legal environment. Second, after ERISA, what? What would the workload be like once the initial shock passed?

When pension actuaries started to climb Mount ERISA in late 1974, there was a good deal of speculation about the altitude of the plateau on the other side. Once we had mastered ERISA, would the routine work fall to pre-ERISA levels? Would considerably more work be required? Or would ERISA drive so many plan sponsors away from defined benefit plans that there would be less work to do?

Since the training of a pension actuary is a long and expensive process for both the young actuary and his employer, these were serious questions. Should the employer make a major commitment to the training process, only to find that he was substantially overstaffed once the initial crunch was past? Would a new actuary entering the pension field find that, after 5 or 10 years of strenuous effort to gain specialized pension experience, he had just become part of a great oversupply of 35-year-old pension actuaries?

Now that most of the initial crunch is over, how much work remains to be done? My guess is that the post-ERISA plateau will be a good deal higher than before. The next few years may be a bit less hectic than the last three, but they still will require a lot of work in the following areas:

1. 1977 *Social Security changes*: The 1977 Social Security amendments raise a great many questions, including the following:

a.) What about further changes? Will a roll-back occur? Would a roll-back change the scheduled increases in the taxable wage base, or the new PIA formula?

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