



SOCIETY OF ACTUARIES

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Chairperson's Corner

by Tonya B. Manning

I am thrilled with the opportunity to chair the Pension Section Council. Now is a time of potential change, when the Society is discussing proposals that could drastically alter our current retirement and social insurance systems. These changes will be at the forefront of the Pension Section Council agenda for the coming year. I look forward to my time as chair and will be reporting to you regularly on our activities.

The Society of Actuaries is changing too. Under its new structure the Pension Section Council has taken on responsibility for all the activities formerly performed by the Retirement Systems Practice Area. Gap analysis and environmental scanning for retirement issues are now key responsibilities of the council. The council met in January with select SOA Board members, committee chairs and representatives from other sections and organizations to help set our goals for 2005 and for the long term. Attendees were asked to share a topic that is a primary concern for them at their job or position. The first issue that was raised evolved into the most common issue among the group: the survival of DB plans. It was proposed that a sound business case be outlined that supports DB plans from both the perspective of the plan sponsor, as well as the participant. To achieve this goal, the council has formed a task force that will explore developing a utility analysis of DB versus DC plans. This analysis would provide a fair comparison of the relative risks of each type of plan to the employer, employee and society.

The recent proposed change to pension funding was discussed, along with the general question of what is the best method for funding DB plans. The council has recently released a call for papers regarding the funding of DB plans. Thus far, there has been an unprecedented interest in this topic. Writers are asked to 'take a fresh look at the issues related to funding for pension plans and how funded status is reported to plan stakeholders, particularly plan participants, guaranty agencies and regulators.' The resulting papers are intended to provide the basis for a symposium or conference.

Another concern that was prevalent among the group was the education of not only plan sponsors, but also the general public regarding retirement issues. Why do certain groups of employees demand pension plans much more vigorously than other groups? Does the public fully understand the social benefits of a strong DB system? Last year, with this issue in mind, the council began exploring the development of a Web site that would provide general retirement education material. It would contain information on the different types of plans, their inherent risks, and how one may plan for retirement

while addressing the associated risks. It was also suggested that a tool be developed so that individuals can model their retirement risk and determine the value of their DB plan versus their DC plan in light of the risks.

Professionalism was also a topic. How can we better link practice with theory and ensure actuaries are properly trained as leading-edge professionals? In addition, the council's Basic Education Committee has been asked to determine if a 'business skills' component should be added to the basic education requirement. It is critical that retirement actuaries are able to understand the many aspects of a company's business and be able to effectively communicate their ideas. This business skill component might include some of the following: general knowledge of Sarbanes-Oxley issues affecting companies, loan and debt covenants, impact of floating equity and the buy back of outstanding shares, accounting issues, communication skills, enterprise risk management, etc.

Social Security is a top issue for the second term of the Bush administration. The Social Security Committee was asked to help educate our members about the possible changes and the supporting data that is used to argue for one proposal versus another. Particularly, we could provide an analysis of the assumed mortality and other assumption used for the projections. Also, it would be helpful to be able to compare the social insurance programs in Canada and the United States to those in other countries.

More and more of our members are consulting with multinational clients. The council will set up a network to help members involved in international work connect with each other. The network will allow members to share information about the specific countries that they work with and allow for better cross-fertilization of ideas about plan design.

There were other concerns raised by attendees at the meeting, including phased retirement, cash-balance plans and the SOA's basic education program. Some of the concerns are already being addressed in our research and education programs. The council and its various committees are determining what their next steps will be to further address the issues brought up during the meeting. But we want to ensure that we include all the important issues for our members. We are very interested in hearing about any other concerns you have, that the council can address in its mission to provide education and research to its members. Please provide your thoughts and suggestions to either me at Tonya_Manning@aon.com or Emily Kessler at ekessler@soa.org. ♦



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