



SOCIETY OF ACTUARIES

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## THE NORTHEASTERN UNIVERSITY EXPERIMENT

by Geoffrey Crofts and  
Richard L. London

The Graduate School of Actuarial Science at Northeastern University closed its doors at the end of 1981, terminating a seventeen-year experiment in actuarial education.

It was unique in its field. Designed to assist employed actuarial students to prepare for the Society examinations and to earn a Master of Science degree on the cooperative education plan, its courses covered four of the Society's examinations beyond the preliminary level. The student's employer paid tuition and, usually, a living allowance during each school term. The student attended Northeastern for a ten-week term just before examination time, returning to actuarial employment between academic terms.

This was the brain child of the late Harold A. Garabedian who, along with Byron K. Elliott, then simultaneously Board Chairman of both the John Hancock and the Trustees of Northeastern University, obtained the support of several Boston insurance companies and launched the program in 1964. Mr. Garabedian recruited Geoffrey Crofts as Dean and Director of the school, as well as its principal instructor, and himself taught in the program for several years.

### The Growth Years

Difficulty in recruiting actuarial students in the face of keen competition from such industries as engineering, computer science and aerospace, motivated employers to use sponsorship of the Northeastern degree program as a recruitment incentive during the second half of the 1960's and early 1970's. John Hancock Mutual Life, the largest employer of actuaries in the local area, con-

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## ELECTIONS 1982

The results announced in Washington are:

<i>President-Elect</i>	Dwight K. Bartlett, III
<i>Vice Presidents</i>	Linda B. Emory Robert D. Shapiro
<i>Secretary</i>	Kenneth T. Clark
<i>Treasurer</i>	Robert J. Johansen
<i>Director of Publications</i>	Edward J. Porto
<i>Board of Governors</i>	Allan D. Affleck Edward H. Friend Walter L. Grace Michael B. Hutchison Burton D. Jay John O. Montgomery

The number of votes cast, from among 4,782 eligible voters was 2,580 (54%). In 1981 and 1980, these percentages were 52.0% and 56.3%.

## 1893 PHOTO

This issue features on its center pages a photograph of pioneer actuaries at the October 1893 meeting of the predecessor body to our present society—then only 4 years old.

## A COMPETITION FOR RESEARCH GRANTS IN ACTUARIAL SCIENCE

### Sponsor

This competition is sponsored by the Actuarial Education and Research Fund (AERF).

### Who May Enter

You are eligible if you are either:

1. A member of the Society, the Academy, the Casualty Actuarial Society, the Canadian Institute or the Conference, these being the five actuarial bodies that support the AERF; or,

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## FASB'S TENTATIVE CONCLUSIONS ON PENSION ACCOUNTING

by Anthony C. Deutsch

Release is imminent of the Financial Accounting Standards Board's tentative conclusions on its project, *Employers' Accounting for Pensions and Other Post-employment Benefits*. From these will come an Exposure Draft in 1983, and then, in 1984, a final accounting standard to supersede APB Opinion No. 8 and SFAS No. 36, and to govern the content of pension information in the audited financial statements of U.S. business enterprises.

### Summary of FASB Conclusions

These conclusions, involving so far only single-employer non-insured defined benefit plans, may be summarized thus:

(1) A pension liability and an intangible pension asset are to be recorded on the employer's balance sheet, measuring the liability by the unit credit actuarial cost method. For pay-related plans, projected unit credit prorated by service is required; for other types, the traditional form is retained.

The net liability will be the unfunded actuarial liability, valuing assets at market, reduced by the remaining unamortized balance of current and prior years' actuarial losses, which for this purpose includes the effects of changes in actuarial assumptions as gains or losses. FASB calls this balance the "measurement valuation allowance." (See below for the amortization process.) The intangible pension asset is to be the remaining unamortized balance of current and prior years' plan amendments.

(2) Pension expense must also be determined by the unit credit method. Periodic pension expense will be the sum

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## SECOND SOFTWARE CATALOG

Popularity of the first (April 1982) Actuarial Software Catalog easily warrants a second edition, planned by the Computer Science Committee for early 1983. Any reader who has fresh information on packages available on time-sharing services, in-house computers, mini- or micro-computers, please tell Matt B. Tucker at his Year-book location.

## Northeastern Experiment

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tributed significantly to the program, sending a large number of students each session, and others followed suit.

Enrollments increased steadily. Students were sponsored by employers in many areas of the United States and Canada. A second full-time faculty member, Richard L. London, was added to the staff in 1968 and a third in 1971. In 1969 the school began to offer also non-degree credit courses covering the Fellowship curriculum, and hired several part-time instructors to help teach these.

In 1976 these courses were incorporated into the degree-credit offerings, making Northeastern Graduate School of Actuarial Science the first to offer academic credit for courses covering the entire Society syllabus beyond the preliminary examinations.

## Years of Decline

The economic recession of the early 1970's put pressure on employers to reduce expenses; one area of such reduction was the fairly expensive Northeastern sponsorship. More significantly the recession-bred unemployment and lessened job opportunities in other mathematics-related fields caused more qualified job seekers to look toward the actuarial field; hence, actuarial recruitment difficulties declined, and so did motivation for Northeastern sponsorship. At about that time, the John Hancock found itself actuarially over-staffed and discontinued its sponsorship.

The nearly complete discontinuance of degree-program sponsorship by the middle 1970's resulted in drastically reduced enrollments. Companies were, however, still willing to send some students to the school for an occasional term to prepare intensively for particular Society examinations. And, by the

## SOCIETY'S OPERATING RESULTS AND 1982-83 BUDGET

by Robert J. Johansen, Treasurer

### Results For Year Ended July 31, 1982

Thanks to the high yield on our short term asset management account and to constant attention to budgeting in our cost centers, 1981-82 income exceeded outgo by \$79,000; we had budgeted for only a \$3,000 margin (see *The Actuary*, April issue). Income was \$66,000 over budget, expenses were \$10,000 below budget.

### Budget For The Year Ahead

Seminars and Meetings are budgeted to be just self-supporting, our Education and Examination system nearly so. A moderate dues increase (\$10 and \$5) effective February 1983 has been found necessary because of the prospect of lower yield on invested funds and the certainty of a substantial rent increase in September 1983 when the Society's favorable 10-year lease will expire.

### Society Income and Expense

(Amounts in Thousands)

	Fiscal Years Ending July 31st		
	1980-81	1981-82	Budget 1982-83
<i>Income</i>			
Membership Dues	\$ 801M	\$ 906M	\$ 1,058M
Seminars	186	369	391
Meetings	264	323	390
Education & Examinations	830	951	1,032
Publications	136	77	85
Investment Income	134	190	150
Other Income	408	392	365
Total Income	\$ 2,759	\$ 3,208	\$ 3,471
<i>Expenses</i>			
Seminars	208	333	390
Meetings	261	327	392
Education & Examinations	1,056	959	1,086
Public Information	46	79	79
Research Services	3	89	105
Other Member Services	873	1,002	1,035
General & Administrative	283	340	317
Total Expense	\$ 2,730	\$ 3,129	\$ 3,404
Income less Expense	+ 29	+ 79	+ 67

late 1970's the student body usually included as many as ten year-round students from other countries who were primarily interested in the Master's degree.

But by 1980, the adverse economic environment had reduced the single-term enrollments to the point at which the program was no longer viable. Overall, the pass rate of Northeastern University students on Society examinations had been 75%.

### What Does This Tell Our Profession?

Professions such as medicine and law look to universities for a high level of extensive specialized education and re-

search. But the actuarial profession appears to look to such institutions for recruits who are prepared in fundamental mathematics and sometimes the beginnings of actuarial education—not particularly for developing the thorough understanding of the wide spectrum of knowledge that will be expected of a professional actuary.

The question is well worth discussing—What does the actuarial profession expect of academic institutions?

*Ed. Note: Readers' views on this large question will be welcomed for our columns.* □