

Discrepant

By Beverly J. Orth, JD, FSA

Everyone asked me, “Didn’t you notice anything wrong?” Maybe I should have. Maybe I did think something was off, but not enough to dig deeper. No, nothing seemed seriously wrong.

I wish I had paid more attention to Jason’s mood swings, though. I can’t say whether they were related to work or to some personal matter, but they definitely became more pronounced during the last month. Or maybe it’s just my imagination. Afterward, the police asked what I remembered. Did Jason act differently? Did he say anything that seemed unusual or out of character? But that was the thing about Jason. Everything he did was unusual. He could be friendly and outgoing one day, quiet and withdrawn the next. Being used to his rhythms, we knew when he welcomed our intrusions and when to stay clear. There was nothing alarming or puzzling about the last month, the last week, or even the last hours.

To explain it better, I need to go back a few years. I guess the changes really began in the year 2000. Despite the financial industry’s massive preparations for Y2K, the stock and bond markets experienced such erratic trading throughout January and February 2000 that several large investment banks were forced to liquidate all their assets in a matter of weeks. That was bad enough, but things got worse, much worse.

You probably remember that the insurance industry was next. Under pressure from the bank failures, nearly every major insurance company had trouble meeting its reserve requirements by 2005. The states were faced with a dilemma: either reduce the legally required reserves or take over the insurance companies.

As the state legislatures were still grappling with that mess, the 2008 election came along. John McCain wasn't my choice, but I thought he'd made a decent president. Too bad he had that stroke only six weeks after taking office.

What can I say about the Sarah Palin presidency? Within six months, there was that border dispute with Russia over some tiny islands in the Aleutians and I think Congress just lost its collective mind. Instead of letting the states handle the insurance meltdown, Congress decided to restore order by creating the NIA: the National Insurance Administration. Even the Republican senators went along, as fed up as they were with Sarah's misguided antics.

By 2010, nearly every private insurer was out of business. And that's where my story really begins, because that's when half the actuaries in the country lost their jobs, including me. And Jason.

Some actuaries were lucky enough to be hired by the NIA. Other than moving to Bethesda, Maryland, and receiving better benefits and pay than before, their job functions remained pretty much the same.

I preferred to stay in California, so I joined a consulting firm and retrained to become a pension actuary. I didn't know Jason then. I think that was when he worked on Wall Street.

Things were pretty good for me, at least for a while. I was one of the lucky actuaries still working as an actuary. Many of my colleagues ended up as investment consultants or financial advisors. Their actuarial credentials just lost their value, almost overnight.

It was tough finding and keeping clients, though. After the 2012 post-election market swoon, so many private sector employers curtailed or terminated their pension

plans that I had only a handful of clients left, all in the public sector. And I didn't have those for long. I didn't see it at the time, but the 2012 presidential election turned out to be the death knell for defined benefit pension plans in the U.S.

We all thought the Ralph Nader – Ross Perot ticket was a long shot, remember? But after four years under President Palin's deluded leadership, voters were desperate for rationality and linguistic clarity. And Nader won by a landslide, after he promised to shut down every union in the country, among other things.

And that's when I met Jason.

With my clients dwindling in number, I quit my consulting job before the layoffs started and began working "on the other side," as we used to say. I joined a 401(k) plan recordkeeper located in one of the triangular towers in Century City, only a few miles from my old job.

My new employer occupied the top ten floors of the north tower. What's not commonly known is that the top two floors of each tower are windowless, intended to house the big mainframe computing systems of the 1980s. With the advent of decentralized computing, the windowless floors became cheaper and cheaper to lease. Some companies found creative ways to use the inexpensive space, like installing nap cubicles, yoga studios, and massage rooms to keep employees happy and relaxed. We had those amenities on the forty-third floor. The forty-fourth floor, though, was dedicated to the use of one employee.

I met Jason during my first week at Century Wealth Builders. Yes, that was its actual name, but we referred to it mostly by the acronym CWB. There were no elevators to the forty-third or forty-fourth floors, only a wide interior staircase from the forty-second floor. I received a brief tour of the employee relaxation facilities on my first day, but my

introduction to Jason, in his forty-fourth floor domain, was saved for later in my orientation rotation.

I have to admit, I was repulsed by my first impression of the forty-fourth floor, but strangely attracted at the same time. The entire floor was one immense room, filled with low-walled cubicles and a hundred or more large, flat-panel monitors. With no windows and no overhead lights, the space looked like something contrived for a movie set. In the middle of the electronic maze sat a lone figure staring at an array of monitors.

Jason was the 29-year-old wunderkind, fresh from his stint on Wall Street, but looking nothing like a Wall Street type. He wore the Southern California beach uniform: board shorts, flip-flops, and a faded T-shirt. One half of his head was shaved. From the other half, curly brown locks were twisted in messy dreadlock-style braids that seemed in imminent danger of disintegrating.

“Jason, we have a new employee for you to meet. This is Shannon. She’ll be working with Admin Team A on the fortieth floor,” my guide said politely.

“Hi, Jason. I’m pleased to meet you,” I said as I extended my right hand toward Jason. He grasped my hand firmly, but remained seated.

“Hi, Shannon.” His voice resounded through me, deep and sonorous. He did not look at me, his eyes remaining fixed on the dozen monitors in front of him. I felt the strange mixture of repulsion and attraction again.

“Jason is in charge of our proprietary asset allocation modeling software,” my guide explained. “We lured him away from investment banking and, so far, he seems to be enjoying working with us. Right, Jason?”

“Mm hmm,” Jason mumbled. “Yeah, it’s nice here in L.A.”

I felt the little thrill again, but suppressed it.

“I like L.A., too,” I replied. “I’ll see you around,” I offered encouragingly as I tried to back my way toward the staircase. I managed to bump against a cubicle wall instead of executing the graceful exit I had intended.

The next few weeks were a blur of meeting more people, attending training sessions, arranging my cubicle, and acquainting myself with my duties and responsibilities. Because of my project management experience, I was hired to be a team leader. I found my team members to be knowledgeable and well qualified. I was confident that I could use my knowledge of retirement plans to leverage my way quickly into a more senior position.

As I became familiar with CWB’s operations, I wanted to learn more about Jason’s role and, in particular, why his software deserved a whole floor. I usually ate lunch in my cubicle, but one day I took my sandwich to the forty-fourth floor. Jason was sitting in the same place as the day I met him, staring at the same monitors.

“Hi, Jason,” I began. “I hope you don’t mind. I brought my lunch up here to see if you have a few minutes to explain your work to me. Is this a good time?” I looked at his dreadlocks, his face still turned toward the monitors.

“Sure,” he replied as he pushed a chair in my direction. “As long as you don’t mind me working while we talk.”

“Not at all! I hope you don’t mind me eating while we talk. I have enough for both of us if you’re hungry,” I offered.

Jason smirked a little, or maybe I just imagined it. “No, thanks. I don’t eat at work. I find it too distracting. But you go right ahead. I don’t mind if you eat.”

“What does your software do, exactly?” I asked as I unwrapped my sandwich.

“It models the financial markets using stochastic methods, then translates those forecasts into an optimized asset allocation tailored to each plan’s investment line-up.” For the first time, he glanced briefly in my direction, probably to see if I understood.

I nodded. “Go on,” I said.

“That’s pretty much it. The trends are updated every one-hundredth of a second from the market activity of every major index across the globe and supplemented by some unpublished proprietary indices I developed myself.”

“Wow!” I really was impressed, but I tried to temper my reaction by asking another question. “Are the asset allocations optimized every one-hundredth of a second, too? That seems a bit extreme.”

“No, that would be extreme,” he admitted. “And it would be too overwhelming for participants. The asset allocations are optimized once per trading day, at 1:00 am Eastern. Even for foreign plans.”

“I didn’t know that we administered any foreign plans,” I replied.

“No, not here in the L.A. branch. But our operations in Australia, Singapore, and Ireland use my software to administer their asset allocation programs, too.” He pointed to the corner beyond the staircase and said, “That’s Australia over there. “

The little thrill went through me again. I simply nodded and thanked Jason for his time.

It was two more weeks before I had another excuse to visit Jason. I never saw him on the other floors, not even at the periodic all-staff meetings. I would take my sandwich and a prepared question to the forty-fourth floor. If he said hello, I would stay and ask my

question. If he just grunted or ignored me, I knew he was in a mood and said I would come back later. That arrangement seemed to work for both of us.

At the beginning, Jason's dark moods were infrequent, maybe once a month. Later, the frequency increased. I wondered if he ever went home or if he even had a home.

"Sure. I have an apartment," he said when I finally had the courage to ask him. "But sometimes I crash here when the markets are really crazy, like they were last week."

I raised an eyebrow but said nothing.

He glanced at my face. "No, I don't sleep in my chair, if that's what you're thinking. I go downstairs and sleep for a couple of hours in one of the nap cubicles, then shower in the yoga studio. I keep a bunch of clothes in a closet over by Singapore." He gestured toward the corner farthest from the staircase.

"And who does your braids?" I was startled to hear those words come out of my mouth. He glanced at me again and I felt the heat rising in my face.

"Ah, now, Shannon. That's a secret." And he laughed. I think it was the first time I had heard him laugh. And I wanted to hear it again.

A few weeks later CWB began preparing for its annual internal audit, meaning that we had to finish all outstanding reports and documentation before the auditors arrived. My team was fairly current, so I offered to help the other teams with their cleanup. That's when I noticed something strange. The year-end assets for a billion-dollar plan did not match the plan's assets for the beginning of the next year. They weren't off by much, only \$34.80, but they should match exactly.

I asked Mark, the leader for Admin Team B, about the discrepancy. He seemed unconcerned. "Probably some rounding error that got carried forward. I don't trouble

myself about discrepancies that small. I've got one that's off by almost \$12,000 and we're researching that one to get it fixed before the auditors arrive next week."

I found two other plans with discrepancies under twenty dollars. I made a mental note to follow up with a supervisor later.

The auditors, installing themselves in two conference rooms and a dozen cubicles, were supposed to stay for six weeks to examine a sampling of the 45,000 plans that we administered from the L.A. branch. At the end of the six weeks, they announced they were staying longer to examine a larger sample of plans. The already tense atmosphere became even more strained. I tried to escape by visiting Jason, but he was as tense as the rest of us.

"Why are they still here, Shannon?" he asked. "I've shown them all the documentation for every transaction they've questioned and they keep bothering me. I can't even do my job."

"I know. They've been annoying me, too. But I think they might find an answer to those discrepancies I noticed during the audit prep. So that would be a good thing, in my opinion."

Jason looked at me obliquely through his messy dreadlocks. "Hmm, yeah." He paused a moment, then asked, "What discrepancies, exactly?"

"When I was helping to prepare for the audit, I found three plans with small discrepancies between their end-of-year and beginning-of-year assets. Mark said the differences weren't material, but there was a plan with a larger discrepancy he was researching. From what I've heard, the auditors are investigating a possible software glitch."

Jason seemed focused on one of his monitors. After a few seconds, he looked directly at me. "Sorry, what were you saying?" he asked.

"That the auditors are looking for a glitch in the recordkeeping software that might be the source of the asset discrepancies."

"Yeah, I suppose that's a possibility. The programming for the recordkeeping system has been updated and modified so many times that it looks like a patchwork quilt. I'm surprised it still functions at all. Let me know what they find out, if you get a chance."

And with that request, I was dismissed. I gathered my sandwich wrapper and headed reluctantly down the staircase. That was Thursday afternoon. I didn't have a reason to visit Jason on Friday. In fact, I left the office early that day, thankful for a dentist appointment that I had scheduled months before.

Monday came too soon. I had heard about the "jumper," as he was called in the Sunday evening news programs. Despite efforts to keep people off their roofs, the towers attracted suicidal individuals from time to time. The jumper's name was not being released until family was notified. I saw yellow police tape cordoning off the sidewalk area where the body had been found. It was Tuesday when we learned that the jumper was Jason.

For an entire week, I refused to believe that Jason had taken his life. But his brother had flown in from North Carolina to identify the body. A memorial service was being planned. And the police and the media swarmed our office.

I tried to be helpful to the officers investigating Jason's death. "Did you notice anything strange about his behavior?" they asked. How could I respond to that question? I could say, "Jason was always strange," but that wouldn't help them. So I said only, "No, nothing out of the ordinary."

For a while, it seemed the police suspected foul play when a wallet was found in the fire stairwell leading to the roof. When they traced the wallet to a former building tenant who had lost it over a year earlier, the authorities settled on suicide as cause of death.

Ultimately, the auditors concluded that the recordkeeping system was not the source of the asset discrepancies. The source was Jason's asset allocation modeling software, which was programmed to take advantage of tiny rounding differences. In other words, Jason had been embezzling plan assets by skimming off a fraction of a penny from every transaction that involved his asset allocation modeling software. Not all plans administered by CWB used his software, and not all of their participants opted into his asset allocation models. But enough did that a fraction of a penny across millions of transactions a day amounted to some serious money.

The investigators, though, could not determine where most of the embezzled funds went. Jason had only an old pickup truck and a tiny apartment that he rented in Hollywood. He had been sending checks every month to his elderly parents in New Jersey for about eight months, but that didn't add up to much.

There were lawsuits, of course. A class action suit was brought against CWB, but it was settled before the case went to trial, for "an undisclosed amount," as the news media reported. Before the official announcement by CWB's board of directors that the company was dissolving, over half the employees had already resigned.

I stayed on for two more months to help transition plans to new recordkeepers. Between my severance pay and the retention bonus, I received almost a year of salary. I decided to travel a bit before beginning the search for another job.

It was the day after I returned from a trip to Seattle that I found the envelope among my mail. The envelope contained only a business card from a local bank, with a number scrawled on the back, and a key, the kind that opens a safe deposit box. I examined the outside of the envelope: no return address, but the postmark was from Century City, dated eight months earlier. I checked the calendar to be certain. Yes, it was the day after the last day I had seen Jason. Why had it taken eight months to reach me? I looked at the envelope again and noticed that the first two digits of the zip code had been transposed.

I placed the envelope, the card, and the key on my kitchen table, carefully, almost reverently. Then I went to my bedroom and sobbed into my pillow for an hour. Returning to the kitchen, I turned on one of the burners of my gas range and held the card and the envelope above the flame until they ignited. I dropped them into the sink and watched them dissolve into a fine ash.

I turned the key over and over in my hands. It felt heavy for its size. Heavy and cold. I didn't recall ever seeing Jason's handwriting, so I couldn't be certain the key was from him. With the envelope and the card gone, I would never be certain.