



SOCIETY OF ACTUARIES

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ICA brings the world together in one place

by Faye S. Albert

An attractive aspect of being an actuary is joining a community of thoughtful people. Gaining admission to this community is the prize that makes all the studying worthwhile. We actuaries are proud of being part of a respected and learned profession. And of course, it's nice to look forward to having a job that produces a good income as well.

But once there, then what?

After finishing the Fellowship exams in 1972, I was looking for a way to celebrate. Now was the time to kick up my heels. At that moment, a fellow actuary, Jay Jaffe, reported his wonderful adventure at the International Congress of Actuaries (ICA) in Stockholm that year. Foreign travel sounded like an excellent way to expand my life into new areas (yes, there is life beyond studying). So my original interest in the ICA was a lark more than a serious business endeavor.

The ICA, usually held every four years, was scheduled next for Tokyo in 1976. Though foreign travel was

inviting, I couldn't justify the substantial commitment of time and money based on a whim. But, what if I could make a contribution to the learned dialog? So I prepared a short paper describing actuarial procedures used in the United States based on my on-the-job experience.

Despite this off-hand beginning, my association with the ICA has been a highlight in my career life. At least three aspects of the congress experience — professional development, the people attending, and the places they're held — have been valuable.

Profession

Worldwide, the same ground is covered in basic actuarial training: mathematical underpinnings of contingent events combined with financial consequences. But, actuaries don't operate the same way in different countries. Attending the ICA can make that point come alive. Appreciation of our tools broadens when we see how many different areas of investigation there are and how many different ways actuaries attack a similar problem. Legal requirements or

accounting conventions in one country may require preparing actuarial analyses differently from one country to the next. For example, various schemes for retirement funding may lead actuaries in two countries to face entirely different questions.

Congress presentations are diverse and cover a wide range of both practical and esoteric topics. The 26th ICA in Birmingham, England, has plans for scientific sessions, as well as breakout sessions on current issues such as professionalism, actuarial education, solvency, regulation, shareholder reporting and even a specialist track from which participants can choose from several practice areas.

As in any intellectual forum, participation is the key to value. Comments (and even corrections) by others on your own paper or presentation will reveal how you might improve your work. And your review of others' works may provide insights into areas that could prove interesting in the future. People

The ICA is a large gathering of actuaries from around the world, and there's an air of excitement and impressive pageantry associated with formal ceremonies. The 25th ICA in Brussels in 1995 marked the 100th anniversary of the first ICA, also in Brussels. More than 1,100 actuaries from 52 countries gathered. The 26th ICA in 1998 will honor the 150th anniversary of the founding of the Institute of Actuaries in London in 1848, a great landmark in actuarial history. The use of various languages with simultaneous translations lends importance to the proceedings.

The dignity of the gathering does not dampen the personal side of the ICA. Collegiality among members of the Society is expected, but feeling this same connection on an international scale at the ICA is surprisingly warm. Group activities and interactions outside

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England is site of next ICA

Hundreds of actuaries from around the world will gather in historic Birmingham, England, for the 26th International Congress of Actuaries (ICA), June 7-12, 1998.

For the ICA, reports on mortality and investment statistics are being prepared by two research groups of The Faculty of Actuaries. The two reports will be international in scope, incorporating data provided by correspondents from many countries.

Other highlights of the congress will include:

- National reports on the history of the actuarial profession and the development of actuarial thought in individual countries
- Demonstration of software (on personal computers) of special interest to actuaries
- Poster displays for papers on the latest developments in actuarial science
- Entertainment from the British Isles, including a special performance by the renowned City of Birmingham Symphony Orchestra
- A wide range of programs and social events

Attendees must be members of the International Association of Actuaries. Membership and ICA materials are available from Lela Long at the Society of Actuaries (phone: 847/706-3533; fax: 847/706-3599; e-mail: llong@soa.org).

DEAR EDITOR

Ex-chief actuary, SSA, clarifies agency's use of interest income

Allan W. Ryan, in his letter in the February issue of *The Actuary*, strongly implies that interest on the investments of the Social Security Trust Funds is not used until the annual receipts from payroll taxes first fall short of the annual outgo, and that then it will be very difficult to redeem, for the first time, the Trust Funds' securities. Under the intermediate-cost estimate in the 1996 trustees report, this situation as to tax receipts and outgo first occurs in 2012. However, under the actual financial procedures for the Trust Funds, Ryan is not correct. Securities are already being redeemed and investment income used.

Payroll taxes are received by the Treasury Department every business day in the form of checks and electronic transfers from employers. Regular interest income from the investments is paid by checks on June 30 and December 31. Each day (except June 30), any excess of such items of income over outgo is immediately invested in certificates of indebtedness maturing the next June 30 and bearing a long-term interest rate (which changes for each month's new issues and has recently been 6-7%), based on an index specified in the law.

Generally, excesses of income over outgo occur, and these are used to purchase such certificates.

An exception is on the third and fifth of each month, when the Treasury Department needs large amounts of cash for, respectively, the benefits paid by direct deposit and the benefits paid by check, allowing a two-day difference for the "float" in the latter. On those two days, the Treasury Department obtains the large amounts of cash needed by redeeming certificates of indebtedness, those bearing the lowest interest rates. However, for example, if \$15 billion is needed, somewhat less than this amount of certificates is redeemed because accrued interest on the redeemed certificates is payable in addition to the face amounts. So, this is one instance where the interest is currently being used.

Further consider the large amount of regular interest (roughly, \$20 billion) payable by check on December 31. This is added to the payroll-tax income received that day, and the excess over the outgo for that day is invested in certificates of indebtedness. If these certificates bear a lower interest rate than others held by the Trust Funds, they will later be redeemed to meet the benefit outgo on a "third" or "fifth" day. So, once again, interest

may currently be in use (although sometimes it will be difficult to determine, because money is fungible).

Finally, the large amount of regular interest is payable by check on June 30. It is not at all clear where that amount goes. On June 30, all certificates of indebtedness and, along with the excess of income over outgo for that day (including the effect of the regular interest), are put into a duration spread of longer-term bonds. The identity of the portion that came from the interest checks is lost, and it cannot be said whether or not it will go to pay benefits, or when this will occur.

Robert J. Myers

A productive economy is the only real answer

I would like to comment on privatizing Social Security.

Privatizing Social Security would decrease total economy-wide savings in both the public and private sectors. Since the total savings pool available each year is private savings less annual government deficit, any move to pay for privatizing Social Security with increased government borrowing would decrease public savings. The larger deficits "crowd out" the beneficial effects of increased savings in individual Social Security accounts.

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ICA brings the world together (continued from page 16)

of the business sessions provide an opportunity to meet wonderful people from different cultures whose interests are often very similar. The compatible environment is made possible by the fact that the people attending from all over the world share the type of disposition that led them into actuarial inquiry. It is remarkable how many of these contacts are renewed at subsequent meetings or even maintained outside formal gatherings.

Places

ICA arrangements follow the format

of a fine vacation choice. The sites are cosmopolitan and scheduled at temperate seasons, and each shows the country, the city, and the surrounding area to good advantage. Accommodations range from excellent to fabulous. At the 26th ICA, you can extend your trip with pre- and post-congress itineraries to popular sites in England, Wales, or Scotland.

Visiting new places through the ICA is especially stimulating and fun because the host country actuaries become involved in showing off their

hometown and its highlights. Not every traveler has the personal attention of local residents, steering their guests to the best the area has to offer, like those attending the ICA.

Try the International Congress of Actuaries; you'll like it. Faye Albert is president of Albert Associates in Miami. She is vice chairperson of the SOA's life insurance research committee and a member of the strategic planning committee.