



SOCIETY OF ACTUARIES

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Actuary supports Social Security as-is in testimony

Recent testimony on Social Security was given to the U.S. Senate Special Committee on Aging by David Langer, who defended the current system and strongly opposed recent moves to privatize.

"While the public, many members of Congress, and the president now see a financial problem as the key challenge facing Social Security, I see it instead as the need to undo a number of misconceptions about the system and to fend off the movement to radically change it," Langer said in his testimony on June 30 at St. Joseph's University near Philadelphia.

Langer cited several "Achilles' heels" of the privatization proposals:

- The financial shortfall is an actuarial construct stemming from the GDP and other economic assumptions used by the actuaries of the Social

Security Administration (SSA). Ignoring actual experience — the average actual GDP from 1960 onward was 3.3% for each year 1979-1998, and the average for each individual year ranged narrowly from 3.5% to 2.9% — the official financial projections used the average of the intermediate assumed GDP factors for the 75 future years, which dropped 50%, from 3% to 1.5%.

- While the SSA is using a 1.5% future average GDP in its current projections, those who wish to privatize are projecting a rosier view, saying the stock market performance over the next 75 years will match its 7% average annual performance over the past 75 years, thus creating an "apple and orange" comparison.
- The public Social Security debate is laced with meaningless but

fright-inducing phrases, such as "Social Security is going bankrupt," "the investments are mere IOUs subject to embezzlement," and "the burden created by the baby boomers will cause intergenerational conflict."

- While Chile's fully privatized social security system has been used as a role model, its less-attractive features have not been highlighted: "the exorbitant expenses, the lack of choice in investments, the less-than-awesome yields when the expenses are taken into account, and the extensive financial obligations and regulatory role the Chilean government has been saddled with."

Copies of Langer's testimony are available from him at his *Directory* address (e-mail: dlanger@davidlanger.com).

Summary of OASDI and Medicare programs

Robert J. Myers, former chief actuary of the Social Security Administration, has completed a revision of his *Summary of the OASDI and Medicare Programs*. This 62-page document describes the programs as of January 1999. Copies may be obtained by writing to him at 9610 Wire Avenue, Silver Spring, M.D. 20901, and enclosing five 32-cent stamps and a self-addressed mailing label.

SOA board nominations due Dec. 1

The Committee on Elections is beginning to prepare for the 1999 SOA board election's first ballot. On that ballot, Fellows are asked to nominate FSAs for SOA Board of Governors' positions. To aid them, a list is provided of those who are eligible for election and who have met specific criteria for committee and other service to the profession.

Fellows may submit for consideration the name of any Fellow, including

one's own name. To assist the committee, please summarize her, his, or your accomplishments and service in a letter to David Holland, chairperson, SOA Committee on Elections, and send it to the SOA office to arrive by Dec. 1 (475 N. Martingale Road, Suite 800, Schaumburg, IL 60173). Questions may be directed to Lois Chinnock at the SOA office (phone: 847/706-3524; fax: 847/706-3599; e-mail: lchinnock@soa.org).

New address for SOA Hong Kong office

The SOA's representative office in Hong Kong has moved. The new address is 2207-2212, 22/F, Miramar Tower, 1-23 Kimberly Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The mailing address, which is unchanged, is Society of Actuaries Representative Office, GPO Box 192, Hong Kong. The SOA's representative, Patrick Cichy, can be reached by telephone at 852-2199-1110, by fax at 852-2730-5356, and at the previous e-mail address, patrickcichy@compuserve.com.

The representative office opened in November 1997 to serve the growing number of SOA members in Asia.