

**Tweaking Social Security Reform**

I was pleasantly surprised by the solid, non-political contributions of your four contributors to the “Remaking Social Security From the Ground Up” discussion (November/December 2008 *Contingencies*).

I join with them in their suggestion of automatic increases in normal retirement age eligibility for each year in the future that a full-year improvement in life span is expected over the current life span (no doubt graded into over the following 12 years by adding an additional month each year). I also join with them in their advocacy of a voluntary 401(k) account for every Social Security participant, although I would seed that voluntary account with a government contribution of \$10 per week plus 0.5 percent of the first <Insert annual poverty level for a family of four in a given year> of wage income.

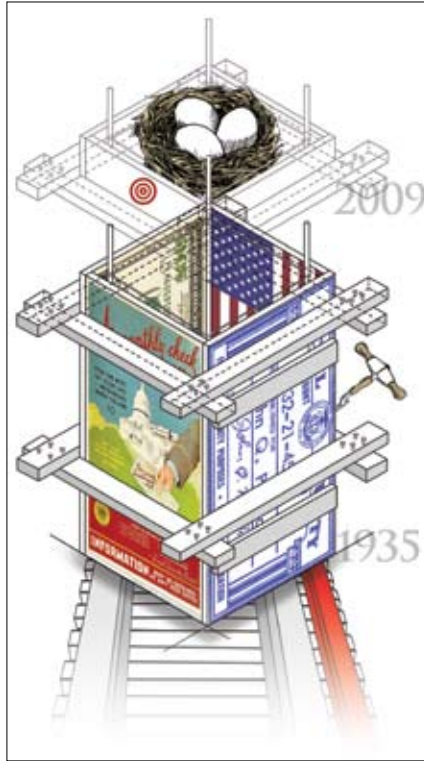
I would further suggest the removal of the wage cap, with benefits to include all wages under the current formula. I would rededicate the now-unneeded 1.5 percent of payroll tax to a basic-benefit national health plan—as suggested in Dennis Barry’s “Tough Medicine: Apportioning the True Cost of Health Care” in the same issue of *Contingencies*.

Finally, I would have the United States join other nations in allowing trust funds to be invested in instruments other than government bonds so as to end the idiocy of our annual budget deficit being different from our annual increase in the national debt. This would have the side benefit of ending the silliness of pretending that U.S. government bonds are great investments except when they are part of trust fund assets (and considered “worthless IOUs”).

**WILLIAM CHIROLAS**  
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**Sustaining the Vision**

President Franklin D. Roosevelt’s social insurance program helped all income levels live with a modicum of dignity. Its goal was to pay at least a minimally adequate benefit to workers upon retirement. Unfortunately, the political and fiscal prob-



lems of Social Security we now face are not only predictable but also inevitable.

In the November/December 2008 *Contingencies*, several pension actuaries were asked an important question about Social Security: Knowing what you know today, if you had to do it all over again, how would you redesign Social Security from scratch?

The brilliance of Thomas S. Terry, Anna Rappaport, Ken Buffin, and A. Haeworth Robertson lay in their ability to communicate and sustain the social vision of the original architects of Social Security in a quite different age and economic order. Successful redesign of the social contract needs to address many issues, including its guiding principles, such as (1) protecting against the erosion of income by inflation, (2) abolishing all statutory differences in the treatment of men and women, (3) improving the level of protection, and (4) earmarking contributions from employee wages into the system.

What the actuaries’ models really do is go a long way toward melding Social Security’s original purpose and the actuary’s philosophy of life that underlies it. Any redesign of Social Security will not be a painless solution. It will depend on the nature of the change (e.g., an increase

in payroll taxes, a cut in benefits), and the time frame for implementation.

**JAMES A. BEIRNE**  
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**An Enormous Opportunity**

Thomas S. Terry hits the nail on the head in his piece on Social Security reform (“Periodic Adjustments Will Keep a Great Program on Track,” November/December 2008) when he states, “Indeed, I think we miss an enormous opportunity as a profession if we take a limited view of the current discussion on raising retirement age.” Social Security’s overall problems are complicated well beyond what retirement age extension can achieve.

I cannot think of a better organization than the Academy, through a newly created committee, to thoughtfully debate and create the framework for long-term Social Security reform. The Academy’s membership includes the best minds in the fields of retirement security and funding, comprises supporters of all major political parties and philosophies on the role of our government in providing financial security, and represents age, gender, and geographic diversity.

The reform committee should be temporary, exclusively focused on this specific project, and composed of volunteers willing, qualified, and able to provide the time commitment required. The Academy’s Social Insurance Committee should be represented on the reform committee but could also help to vet additional reform committee members with the goal of creating as talented, focused, and diverse a group as possible. Hopefully, we will not allow this opportunity and responsibility to slip by.

**MARK SHEMTOB**  
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**Where’s the Beef?**

In their health reform proposals that ran in the September/October 2008 *Contingencies*, the presidential candidates devoted most of their space to listing and describing the various ills of the current system. A little time was spent proposing changes

and reforms but without really providing any evidence of what actually links those reforms to solving any of the existing problems.

Both articles are full of words like “affordable,” “comprehensive,” “basic,” “fair,” and “reasonable,” but never tell us what they mean in real terms, or even divulge who it is that will make such determinations on behalf of the rest of us. These terms are pretty important when describing premium and benefit levels, loss ratios (implicitly), and the insurance marketplace.

John McCain and Barack Obama were both fond of the same old saws about promoting prevention, wellness, responsibility, effective medical practice, improvement of public health efforts, etc. Who isn't? The key is being able to answer these questions: How will these things save money? How will you implement them? What will it cost? How long will it take? And, most

important of all, are you willing to punish noncompliance when people just don't do what society has determined is the “correct” behavior?


These articles clearly showed that whenever candidates or politicians try to solve the health care financing puzzle, they discover how complicated it really is. Without a deep understanding of how it works, where it has come from, and the variables that actually drive its current equations of inertia and momentum, there is no chance that a patchwork and piecemeal set of proposals can fix it. In fact, it may be necessary to recognize that it isn't actually fixable, like some acute medical condition.

Given demographics, economics, changes in technology, and pharmacology, our health care system (made up of both provision and finance) is more like a patient with a chronic condition. The first step is to admit it is never going away, and

acceptance of that reality must occur before progress can be made in controlling symptoms and staving off deterioration. The next step is to realize that you need actuaries, not health economists, if you want to design reforms that are likely to help.

I realize that these articles were viewed by the candidates as just another platform to proclaim the superiority of their candidacies, but you would think someone in their campaigns would have suggested that this particular audience deserved more than the soft, shapeless sound-bite platitudes that the general media and at-large population are happy to gobble up without realizing the near-zero value of the content. It is a complicated subject but just the sort of thing actuaries take in their stride. Where's the beef? (Or is it “Show me the money?”)

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