

Amateur Hour

I AM NOT AN ACTUARY. I don't even play one on TV. But I do have a 401(k) retirement plan, as well as a money purchase plan through my employer. And that, in effect, makes me an amateur pension actuary.

Nonsense, you say. No such thing as an amateur actuary. Pension actuaries are specifically trained to juggle all the variables that go into calculating the minimum funding for a pension plan—return on assets, inflation, life expectancy, gender and age, earnings projections, retirement age, and probably a few others.

They're held to high standards and can get in big trouble if they're not careful. Pensions can be underfunded and not be able to perform when they're needed. Or they can be overfunded and deprive the sponsoring company of needed capital. (Or they can be plundered, which usually isn't the actuary's fault anyway.)

But if for whatever reason actuaries do screw up, and a pension doesn't perform as planned, there's something called the Pension Benefit Guaranty Corp. waiting in the wings. It probably won't save their bacon, but it will provide at least part of the promised pension that the workers had been counting on.

And then there's me (and lots of others like me) and my 401(k). I don't have to worry about funding a pension for a company full of workers; I just have to worry about funding a retirement for myself. And I've got to juggle a lot of the same variables a pension actuary does. (Except for the gender—I think I've got that figured out.) Plus a few more—future tax rates, quality of life, personal savings, and Social Security benefits.

In other words, I've got to plan and reserve for a whole bunch of contingencies I don't have much control over, without the benefit of the training or the resources of a pension fund—not to mention the safety net. How long am I going to live? Pension actuaries don't know the answer to that question any more than I do. But at least they have the luxury of dealing with large numbers, averages and whatnot.

Nobody really thought this was much of a problem, of course, when the stock market was bulling along like Pamplona. But times are different now, which is why we have an article in this issue by Ken Steiner and Karen Kost, looking at the grim realities of retiring in a bear market.

Last issue, we also had an article about how defined contribution plans have virtually supplanted defined benefit plans, leaving millions of workers (and amateur actuaries) at the mercy of the NYSE. (And there are those who want to put Social Security in that position, too.) It's a hot topic these days, given the aging of the baby boomers, the volatility of the market, and the precariousness of Social Security. And I'm sure we're going to see a lot more about it in the pages of this and other magazines, even the network news.

Meanwhile, I've still got my 401(k). And if I have to play actuary, I sure wish I could at least get paid like one. ●



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