



We Love This Letter, Too

Unlike Jim Gardiner, I retired at 55, but my hat is off to him. In fact, your March/April 2003 issue was so good that for the first time in nine years I cannot remain silent. I just loved it.

I thought Sam Gutterman's Endpaper was just super. I only would have added one thing. Yes, the Boomers of today are financially irresponsible. I've met many of them, and I have more time now than ever to listen. Unfortunately, they're morally irresponsible as well, a non-issue. But unlike the federal government, whose example they're merely following, they don't have the God-given right to print money. Yes. Social Security will undergo some changes in the future, but the biggest one has always been true. You put solid gold-backed dollars into the system and you get back cigar coupons, and you get to pay taxes on those same after-tax taxes as they're returned to you, regardless of how much you put in. Very sad.

"Extreme Logic" by Tom Bakos was listed as humor. I loved it. I haven't lost my sense of humor. If Tom reads this, I wonder if he really thought it was funny, or if there wasn't a very important, deeply embedded message in it for all of us who run into people who speak in clichés and can't understand why we don't understand what they really mean.

Finally, I've only been to the theatre twice to see a movie in the last four years, and the two movies were *Billy Elliot* and *About Schmidt*. Much as I loved Ann Bryant's words, which remind me of almost every visual impression, I have to be honest and offer that the movie doesn't warrant defense of our profession. I'd sug-

gest that the whole idea was one giant spoof and it ends with the biggest spoof of all. Did anyone really believe that Ndugu was a real, living person?

I hope I'm still here nine years from now to do this again, or that your May/June issue drags me back to the old PC again. Thanks. I loved it.

JOHN D. KIRKMAN
CLARKS SUMMIT, PA.

Conflict of Interests

Regarding the recent article "Breaking into the Black-Scholes Black Box" (March/April 2003), Mr. Carrett and Mr. Martland help spread a convenient (for some) but damaging fiction in starting their article with the sentence: "Executive share options (ESOs) can be an efficient means of aligning the interests of shareholders and management."

In short, no, they can't. ESOs offer gains of up to several years' salary if the stock goes up, at no risk of loss if the stock goes down. Stock ownership offers the possibility of incremental gains at the risk of the entire initial investment. The interests and incentives of ESOs and stock are quite different, as recent history makes only too clear.

The list of companies whose executives achieved great wealth by pairing ESOs with insider knowledge while their stockholders lost most or all of their investment is long and well-documented; e.g., Enron, AOL Time Warner, Haliburton, countless tech start-ups, etc.

The work of science being the substitution of facts for appearances and demonstrations for impressions, I offer

these events as proof that ESOs support management interests, which, in fact, diverge from those of shareholders. The interest of the ESO is short-term stock price volatility while the interest of stock ownership is long-term earnings growth.

Long-term commitment and substantial investment risk mark the stockholder as the entrepreneur in a public company. Any compensation mechanism which does not share these two attributes cannot truly be said to align the interests of shareholders and management. The sales pitch which contends otherwise has helped shake our economy, threaten capital markets, and damage the retirement possibilities of countless investors.

RICK PAWELSKI
HARRISBURG, PA.

Oversight

I noticed that the sidebar on Page 12 stated there are "fewer than twenty thousand members of the Society of Actuaries (i.e., actuaries with credentials)."

I would guess that our CAS colleagues as well as Enrolled Actuaries that are not members of the SOA when reading this will take it as somewhat of a slap in the face. Of course, having worked with CAS actuaries, I know they are not totally surprised when this happens. I think their relationship to the SOA has become something akin to that of Canada's to the United States. That is, while they're smaller in population they're confident of their correctness (if not outright superiority) but perturbed at any perceived oversights.

WES EDWARDS
PORTLAND, ORE.

I just opened my March/April 2003 issue and turned to Pages 10-12 to get *Contingencies'* take on *About Schmidt*. A wonderful review, Ann. Thank you. However, the sidebar on Page 12 needs correction. The second bullet point identifies the Society of Actuaries (SOA) as the organization that qualifies persons to practice in the United States. I'm sure our actuarial colleagues would agree with me that the reference should have been to

the SOA, the Casualty Actuarial Society (CAS), and the Joint Board for the Enrollment of Actuaries as the credentialing bodies in the United States. While the third bullet is technically correct, it applies to fellowship in the CAS as well.

Just a note for Jack Nicholson and for *Contingencies* staff. Other than that, another fine issue. Keep up the good work.

HARRY PANJER
PRESIDENT, SOCIETY OF ACTUARIES
WATERLOO, CAN.

Editor's Note: Many actuaries have noted and decried our oversight. We should have made it clearer that to join the actuarial profession in the United States, prospective actuaries must pass a series of exams given by the Society of Actuaries (SOA), the Casualty Actuarial Society (CAS), or the Joint Board for the Enrollment of Actuaries. Jack can be more easily forgiven for the oversight than we can. Our apologies to all concerned.

The 19-Minute Solution

I'd prefer that puzzle solutions not appear in the main magazine. This puzzle took me 19 minutes to solve. I hope that wasn't because I subconsciously absorbed the answer!

I don't find the solution given particularly illustrative. Here is my solution.

Use divisibility rules for each digit. This gives that the second digit must be even, the first three digits must sum to 0, 3, 6, or 9, the number formed by the third and fourth digits must be divisible by 4. The fifth digit must be 0 or 5, thus 5. Also, the number formed by the sixth, seventh, and eighth digits must be divisible by 8, and the last digit can be any number (since, regardless, all the digits will sum to 9).

We know that the second, fourth, and eighth digits must be even. We can fill them with some choice of 2, 4, 6, and 8, and proceed. There are only 15 two-digit numbers which are divisible by four, contain two distinct digits, and do not contain four. This restricts the choice of digits for the third slot once the fourth digit is selected. Now use divisibility by

three (first three numbers sum to 0, 3, 6, or 9) to determine possibilities for the first digit.

One quickly sees that 2 and 8 or 8 and 2 cannot be the digits in slots two and four, limiting the search space. With luck, it will take only a few of the remaining iterations to solve.

Did anyone give an explanation of why Gardiner's solution works? I'd be curious to see it if so.

JODI SCHNEIDER
SPRINGFIELD, MASS.

Much Ado About Schmidt

I recently saw *About Schmidt* with a person who was not an actuary. After the movie, the person neither knew nor cared about what an actuary was. The fact that Nicholson portrayed an actuary was an immaterial part of the film. I find it a bit ironic that many actuaries' overanalysis of an immaterial part of a movie really plays to the actuarial stereotype.

THOMAS A. JAROS
HONG KONG SAR, CHINA

I've been more than a bit bemused by the hand-wringing and the undue amount of print in actuarial publications over Jack Nicholson's portrayal of Warren Schmidt, the emotionally stunted actuary he played in the movie *About Schmidt*. First off, it's just a movie, and too many in our profession seem to be at least somewhat forgetting that, thinking somehow our one chance in the spotlight is going to leave some kind of mark in the public perception of actuaries.

Well, I challenge those who are concerned about actuaries forever being portrayed in people's minds as being like the pathetic (but strangely amusing) Warren Schmidt to ask people who saw the movie what Warren did for a living before he retired. I did—many times. In various settings over the past two months, I asked more than 20 people who saw the movie what Jack did before he retired. The answers: insurance executive, insurance salesman, underwriter, or they didn't know—he worked in an office. Not one

said he was an actuary. And these were people who know that I'm an actuary.

Several close friends who absolutely know I'm an actuary and to whom I recommended the movie ahead of time, saying tongue-in-cheek that finally a movie had been made about an actuary and it took Jack Nicholson to do the part justice, came back to me afterwards saying they never saw or heard anything saying Jack's character was an actuary. (Yeah, we spotted it, because we were looking.) The bottom line is that the references to him being an actuary were in passing at best; the rest of the world is oblivious.

I just hope nobody outside of actuarial circles saw the embarrassing "press release" sent out by the Society of Actuaries.

OWEN J. GAVIGAN
WEXFORD, PA.



Last Word

On Page 76 of the July/August 2002 issue ("A Way With Words") the Scrabble "Example 23" confuses me. There are two main sections in play that are not connected in any way. Whenever I have played, all words are required to attach to an existing word.

What am I missing about this example? It doesn't seem like a real board.

STEVE MERKEY
WAUSAU, WIS.

Editor's note: Sharp eyes. I went back to the original and discovered the missing link: There should be an O between MY and SORBENT, making the vertical word MOR.

Triple-word score for you; zero for us.