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The Actuary

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FROM time to time we have published articles and correspondence about *The Actuary in Literature* and although the references to the profession are few it was some comfort to know that the profession was not completely overlooked. Two of our readers drew our attention to the following poem which appeared in *The Times Literary Supplement.* Since this was an unusual, even if indirect, reference to the profession it seemed worthwhile to reproduce the poem for the benefit of our readers. Mr. Thwaite, with excellent analysis, credits the profession with more certainty than we probably have in practice. Nonetheless we are grateful for the recognition.

*A.C.W.*

## Life and other contingencies *

*Here is the set text—neat tabulations,*
*The bracketed asides of algebra.*

*Not that I understand them, but formulas exist:*
*The actuary tells you what they are.*

*At age 46, this and this are known.*
*Building societies have experience.*

*What happened earlier will recur, given*
*Similar circumstances. It's common sense.*

*Two volumes on the shelf. Now take them down:*
*Open at any page, at any line.*

*Portions of me are money. What I leave*
*Will prove the logic, confirm the whole design.*

*What cannot be accounted for is not*
*The text's concern. It tells you what is what.*

**Anthony Thwaite**

* "Life and other Contingencies" (two vols.), by P. F. Hooker, F.I.A. and L. H. Longley-Cook, M.A., F.I.A., F.C.A.S., A.S.A. (Cambridge University Press).



## LETTERS

### Observations on the Funding Standard Account

*Sir:*

Maintaining the ERISA funding standard account will involve detailed calculations, but I believe the observations in the February issue overstate the complexity of the calculations in these respects:

(1) One observation suggests that the full funding limitation must be applied twice each plan year, once at the start and once at the end, with the result that the overfunded plan could have both a "full funding credit" and a "supplementary full funding credit." It is my belief that the full funding limitation can be determined once each year, as of the valuation date, with the same interest adjustments that have been permitted by Internal Revenue in the past (see subpart D of Schedule A, Form 4848).

(2) The alternative funding standard account was added to ERISA to "save" the entry-age-normal method. Its purpose is to avoid mandatory funding of the full amount of the entry-age-normal past-service liability and it is not useful under a plan with assets less than the value of accrued benefits (based on service and compensation prior to the valuation date). Even when the alternative funding standard account is used, the funding standard account must be maintained under the entry-age-normal method, and a deficiency therein will result as the alternative is used to avoid amortizing the entry-age-normal liability.

This deficiency in the funding standard account does not result in an excise tax, but if the employer abandons the alternative, the deficiency must be made up over five years. A deficiency under the alternative funding standard account does result in an excise tax, and presumably an employer will shift back to the regular funding standard account in such a year to avoid this tax. Moreover, the excise tax provisions of the law result in funding of any deficiency. I don't expect to see a continuing plan having a deficiency in the alternative funding standard account that will complicate the calculations in the subsequent plan year.

*John Hanson*

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*(Continued on page 6)*