THE FUNCTION AND FUTURE OF INDUSTRIAL RETIREMENT PLANS

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Industrial retirement plans, as a practical solution of the problem of superannuated employees, have become a subject of general interest and importance in this country. Because of its nature, the problem is of particular interest to the members of the Casualty Actuarial Society and I fully appreciate the honor afforded me by this opportunity to discuss it. My remarks will be concerned primarily with the social and economic aspects of the subject, rather than with the strictly actuarial or technical phase, and in conformity with the current fashion in social and economic fields, I shall take the liberty to forecast the trend of the future development of retirement plans in this country.

The health, happiness, and even subsistence of an individual in the normal civilized community of the present time are dependent primarily upon a continuing income of money. For most the source of this income is salary, wages, or other compensation derived from employment. Consequently, anything which will cause the discontinuance of employment—and hence the income therefrom—has been aptly described as a specter hovering over the individual. The five main specters are well known—they are death, accident, sickness, old age and industrial depression.

These contingencies and the problems connected with them are being increasingly studied and discussed each year, and this discussion has not, by any means, been confined to one class. Organizations, committees, and commissions of all types and classes have attacked the problems. They range from comprehensive units such as the International Labor Bureau at Geneva, which has a program mapped out for years in advance, to a committee investigating some phase of one of the problems for a small employer or his employees. Sometimes constructive work

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is done, while other times the results are not worth the labor expended.

When one realizes the increasing interest in these various problems, the natural question is "Why?" The answer is too well known to warrant more than a short reference. In the economic evolution of the world, we are now in an industrial era. Formerly, the business unit was very small. The "prominent citizen" owned his own business. The corner grocery had not become a "chain store"; the milkman was a farmer, and not an employee. Individuals owned their own homes and did not have to pay rent. Transportation was not as available as now, and people lived longer in one community and there were closer ties among the neighbors. Now vast numbers are solely employees—and this includes many managers of industry. The business unit has become a very large one, and corporations with the number of employees running to five or six figures are not uncommon.

As a result of these and many similar changes in the economic system, the income of the individual is now more liable to be cut off entirely, or at least to be reduced more rapidly, when disability, death, old age, or unemployment occurs. Formerly, the occurrence of such contingencies would not have had such a marked or immediate effect, because some form of a reserve had been more or less unconsciously built up. The reserve might have been cash, merchandise, or the "good-will" of a business, but because the business unit was small, this reserve was available to the individual. Frequently it was not realized that such a reserve against the specters existed, but whether the reserve was the good-will of a shop from which the profits would continue to go to the unfortunate victim, or cash in a bank, the effect on the continuation of income was the same.

It is the increasing abruptness with which income is now stopped through no fault of the individual that has made the problem arising from the five specters a matter of general concern, and has stimulated the search for remedies. As might be expected, the solutions offered take many different forms.

At one extreme, we have the man who believes in the continuance of the old order, which has proven satisfactory for so many years—or centuries. Protection against the contingencies we are discussing is solely a matter for the individual. Responsibility and initiative must rest with each one separately, if we are not to destroy the spirit of thrift, ruin industry, disrupt the institution of the family, cause demoralization, raise or lower the interest rate, etc.

At the other extreme, we have the man who will simply remove all five specters by a comprehensive program of compulsory state insurance. Such a program insuring everyone against the five "dreads" confronting all workers was suggested in 1924 by a member of the British Parliament and it was claimed that:

> The . . . . . Scheme would immediately relieve and solve the awful abnormal unemployment problem by giving the weary, tired, wornout workers over 63 the offer of a Pension to enjoy at once and for life in some ease and comfort. . . . . . the pensioning of the weary, aged worker, the younger worker given full scope and just reward for his labour and skill, all these should mean a quickening right through the ranks of industry giving largest promise of reward to the toiler, success to trade and industry, and added strength, prosperity, and greatness to the State.
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> The 1921 Census gives the total number of widows as 1,824,323. It is reasonable to expect that, owing to mental relief to men workers through an adequate pension system at 63, there will be a decreasing number of widows.
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> Under the . . . . . Scheme, 1,000,000 workers retire at once on pension and the Unemployment Problem is solved.

Fortunately or unfortunately, it seems that neither of these two alternatives offers the best solution for the problems in this country. The reasons as to the particular problems of old age will be discussed later and are indicative of the general objections to the alternative plans. However, as they represent the two extreme viewpoints, we may anticipate that the best solution will lie between them and we should, therefore, ascertain the underlying premise of each. For the first, it is that the only satisfactory solution is individual prevention; the second, relief through a state insurance scheme.

These two premises suggest immediately a difference in the attitude of Europe and this country towards insurance. The difference is by no means as great as that between the two premises, but it is indicative of the character of the solution which may result in this country as contrasted with that in Europe.

It is frequently stated that the function of insurance, another name for protection against contingencies, is, first, to prevent the occurrence of the contingency insured against, and secondly, to indemnify on account of the loss when it does occur. In this country, it is the function of prevention that is strongly emphasized and it is maintained that every effort should be made to accomplish it. In Europe, the second function—that of relief—is stressed primarily, although it must be admitted that mention of prevention will be found in European publications, and even in the government insurance laws. However, the real emphasis on prevention, which is that of practical attempts to make progress, is much stronger in this country. We find it in life, fire, casualty, and other branches of insurance. Companies boast, not only of how much they paid in claims, but even more of the amount of claims prevented or postponed. One company even publishes annually a "financial" and a "health" statement giving its experience for the years in terms of lives saved as well as the dollars and cents received or disbursed. On the other hand, we have the example of the British Unemployment Insurance Act which offers practically no encouragement to an employer to reduce unemployment. Indeed, as a concession to the advocates of the "prevention" policy, there is a provision which is supposed to give this encouragement, but it is too weak and indirect to be successful. It takes more than a statement and a provision to be of value; constant vigilance and constructive efforts are required and the person who can do the "preventing" must find it to his direct advantage to do so.

In this country, the doctrine of prevention has many enthusiastic disciples in practically every branch of insurance. Whether or not there is merit in the general doctrine is of little moment here, except to state that there has begun recently a movement by some employers which offers a preventive solution of the problem of the superannuated employee. Present indications justify the hope that the use of this method will spread and that it will have very beneficial results. Probably none of these employers are aware that this method may be regarded as preventive in effect, but, nevertheless, it may be so regarded.

Upon mentioning a preventive solution for the aged worker, you register a protest and state that efforts are being constantly made in this country to reduce death, accident, sickness and unemployment. If they are at all successful, you may say that it would result, directly or indirectly, in the increase in the number attaining old age and so it would appear that any suggestion of a preventive measure for old age itself would be absurd. And so it would be, if old age itself were the specter that haunts the workingman, and not the loss of income due to inability to retain employment. But the problem is to prevent, not old age, but loss of income during that period. It is in this respect that a preventive solution for the loss of income in old age differs so materially from the treatment of the other contingencies —for, in the case of death, disability, or unemployment, we can offset the loss of income by actually preventing or at least postponing the occurrence of the contingency.

That the entire problem of the aged cannot be solved by the "preventive" method is readily granted, so that it seems advisable, before discussing it, to make a brief analysis of the problem, and in this way ascertain to what extent this solution may be employed.

Old people may be grouped in three general classes. Those whose incomes continue either because of investments, or ability to work, form one class. Obviously, they offer no great problem and may be disregarded in our discussion. The second group would include those individuals who have no income because of "indolence, lack of moral fiber, inadequate mental or physical equipment, lack of judgment, adverse fortune, etc." Their condition might better be described as "absence of income" than as "loss of income." The third class includes the workmen who, because of superannuation, become inefficient in their work and consequently lose their productive ability and earning power. Just as with inanimate machinery, human machinery deteriorates and, after a certain point, should be replaced, if the maximum production efficiency is to be maintained

Considerable confusion in the discussion of superannuation often has arisen because of bulking the last two classes together. The second group, which might be called "social," has always existed, and is in main a problem of society in general. This group includes the unfortunates of society who produce little wealth which can be accumulated for their old age. Provision must be made for them from the funds of the community as a matter of relief. Whether or not the present methods of caring for them are satisfactory is another question, and a very interesting one, but any attempt to study it together with the problems of the other two groups would only invite confusion.

The third group, which might be called "industrial," is in main a product of the present organization of industry, and its problems should be approached with that fact in mind. Before the era of factories and corporations, many in that group would have had an income in old age because of an actual saving of wealth from the productive years for use in the non-productive years, whether the wealth were merchandise, property, or even the "good-will" of a shop, and therefore they presented no problem.

Fortunately, the recent tendency in this country has been to study superannuation separately for the three groups. The first group whose income continues offers little difficulty. For the social group, any solution must be based on the principle of relief, so that for it the problem is a matter of improvement in method—not the method itself. The industrial group includes the largest number of individuals and there is no general agreement as yet as to the most satisfactory method for it. Obviously, the last group presents the most important problem, and it so happens that a preventive solution may be applied to it. For these two reasons my remarks will be confined to the possible solutions for this group.

A practical solution for any social problem must take into consideration the existence of certain facts and conditions, which may or may not be justified. Whether or not the ideal solution would be for the individual to make his own provision for old age is of little importance, because the fact remains that many individuals do not or cannot make such provision, and consequently individual prevention does not offer a practical solution.

A solution sometimes suggested is a universal state pension scheme with no "means" restriction, and financed jointly by the state, employer, and employees. There are many serious obstacles to such a program in this country. Various legal difficulties would be encountered and programs of this nature are always opposed by vested interests of one sort or another. These vested interests are by no means restricted to capital but may also be labor organizations, farmers, etc. An inherent opposition to this solution, based considerably on sentiment, exists on the ground that it should be avoided because of its paternalism or other "isms." For these reasons, it would be very difficult to get such a proposal adopted, and, after all, if a program cannot be readily adopted it has not much practical value.

Even if such a program could be enacted, conditions in this country are very unfavorable for any universal scheme as there is no uniform standard of living conditions in the various localities and industries. For one section or occupation, $50 a month might be an adequate pension while in another it would be altogether insufficient. The labor conditions, age and occupational distributions, financial and political status, and other considerations as found in the different states would cause considerable difficulty. In addition, any scheme for a state pension fund would probably require the state to take care of the accrued liability, which would necessitate a heavy tax on the State Treasury for some time to come.

Public and private opinion concerning social problems is to a considerable extent a matter of sentiment, rather than reason, and this situation must be borne in mind in seeking a workable solution. Consequently, we must take cognizance of a strong undercurrent of feeling which seems to exist in this country that a social problem which is a product of industry should first be attacked by industry independent of state direction, so that, by its own initiative, a solution may be found. Only after industry has had a thorough opportunity and failed to find a satisfactory solution, should the state intervene and compel the adoption of certain remedies. Whether or not the existence of such a feeling is logical or desirable does not matter in devising a solution, for its existence must be taken into consideration if the solution be one which can be readily made effective.

It is true that industry has not always solved its social problems and that in some instances state intervention has been necessary, an illustration of which is the various "Workmen's Compensation Insurance Laws." Furthermore, while it is my belief that state universal pensions are by no means a satisfactory solution for this country, I would venture the prophecy that if industry itself does not solve the problem, some form of a state compulsory pension scheme will eventually be adopted.

However, the present indications would seem to justify an attitude of optimism concerning the probability of a satisfactory solution by industry of its problem of superannuation. We have in the astounding growth of Group Life and Health Insurance in the last few years, examples of the progress industry has made in solving some of its problems of a social nature.

Industry is really studying superannuation at present and is trying to find the best method to make provision for it. Some of the methods being tried are profit sharing schemes, savings funds, stock ownership, insurance company policies and contracts, and pension schemes and funds of various types. Of these, the most general and direct method is the establishment of a formal or informal retirement plan, either self-administered or administered through insurance company contracts. The reason is quite obvious—a retirement plan provides a pension or annuity, which is an income, and therefore, the exact provision required for old age. Stock ownership and savings fund schemes usually have other purposes in addition to the provision of an old age income and are at best only indirect solutions. In fact, many corporations which have such schemes also have retirement plans.

Employers are understanding more and more that there is only one primary reason for a retirement plan, and perhaps, because of the cost, it may be called the sole justification. It is the cold business reason of necessity. Formerly the reasons assigned were reward for service, gratuity, improvement in morale, reduction of turnover, disciplinary use, etc. Today employers are realizing that they must pay pensions—whether on an active payroll or a pension roll—to the employees who have begun to slip because of age. Competition necessitates constant improvement in production efficiency and therefore the inefficient because of old age, whether man or machinery, must be replaced. To discharge such employees outright would be a very unwise policy and the result is that a pension is paid in form of an allowance, annuity, or wages, The most costly method is the one under which the employee is kept on the active payroll and a pension paid to him in the guise of salary. This has been demonstrated by tests made by employers which proved that money would be saved by retiring employees and removing them from active service.

It is advantageous that the employer regard the problem as a business one, and not as one of altruism, charity, or reward. When the employer realizes that he must pay pensions, his business training impels him to find a plan which will, in addition, secure as many by-products, as it can, such as reduction in turnover, improvement in morale, etc. He will seek a plan which is systematic and definite and sound, and which assesses the cost to the time and place in which it was incurred. It may also be that the fact that the managers of industry are frequently employees themselves, introduces a selfish element which serves very advantageously by making the manager desire a plan applicable to all employees, including himself, which is sound in principle and finance.

Many employers are now finding and adopting plans of this nature, which become immediately preventive in effect. Of course, they do not prevent old age, for they are not based upon a policy of the extinction of human life after a certain age, a "remedy" which was widely discussed some years ago as a result of the distortion of a public remark of Doctor Osler. The preventive effect is a result of the assessment of cost during the working years. Funds are laid aside and accumulated for each employee during his productive years to provide an income during his unproductive years. Consequently the method is simply an accumulation of income which thereby prevents the loss of income. Contributions of one employee are not used to pay pension to another employee, but part of the revenue resulting from the production of each employee is set aside for that individual employee. In effect it is comparable to a grocer who builds up a reserve in merchandise and equipment which can be used as a source of income in old age.

The type of industrial plan which will be adopted in the future as a result of the study of superannuation as a business problem will be considerably different from most of those in existence to-day. This difference will come primarily from a change in the financing of the plan. Most existing plans are on a "cash disbursement" basis, or a modification thereof, which means that pensions are charged when paid as a current operating expense. Money is to-day being declared as dividends or used for other purposes which should be used to set up a reserve out of which to pay the heavy pension costs of the future. The continuation of this practice might easily prove embarrassing to the employer.

However, employers are now learning that the financial provisions for pensions should be made while active service is being rendered; that sound corporate finance requires that at any time reserves should be on hand sufficient for all future pension payments arising out of service up to that time. When this method of financing is adopted, the retirement plan immediately becomes a preventive one, for neither the employer nor the community will have to relieve from current earnings the loss of income by a retired employee.

When a reserve basis is decided upon, other modifications and changes often take place in order to simplify the basis or permit a fairly accurate reserve to be calculated. The abandonment of plants by several large employers is teaching others that, before a decision is reached, their study should include not only that phase which might come under the head of social philosophy but also the actuarial and financial phases.

A retirement plan requires money. A good one requires considerable sums. Unfortunately, this fact has been not generally recognized and, after an employer begins his study, he becomes frightened by the experiences of some of the older plans. The difficult task today is to reassure the employer and convince him that there is available a solution which will come within his means. "History repeats itself" is a very trite saying, but it certainly does seem that industrial retirement plans are passing through the same stages that life insurance did in its development from the haphazard and unscientific financial basis of the old assessment and fraternal societies to the mathematically determined basis of legal reserve insurance.

Based upon observation of the type of plans now being adopted and upon the trend of thought among our more progressive employers, I feel that retirement plans will so develop that, at some time in the future, industry will have plans in effect which will include the principal characteristics regarded as ideal by many students of the subject. This forecast is further based upon a belief that the interests of employer, employee, and society are not opposed to each other and that a plan which is sound in social, financial, and actuarial principles will be the most satisfactory for each of the three parties concerned. Fortunately for the development of sound retirement plans, there is an increasing realization on the part of the employer that the interests of the employee are his interests, and likewise on the part of the employee that the interests of the employer are his interests, which change of sentiment is reflected almost daily by additional evidence of various kinds.

To be specific, my forecast is that at some time in the future the problem of superannuation in the industrial group will be solved to a large extent through retirement plans adopted by individual employers and that these retirement plans will have certain characteristics which are:

1. Benefits related to earnings and length of service.
2. Liabilities provided for as they accrue.
3. Cost borne jointly by the employer and the employee.
4. Contractual relationship.
5. Favorable policy towards migration.
6. Supervision by State Insurance Departments.

As these characteristics are rather broadly stated, some discussion of them may be appropriate.

Many employers and other students of retirement plans are becoming convinced that a plan, to be fully effective, should provide substantial retirement benefits which in some measure are in accord with the standard of living to which the employee has been accustomed. A nine hundred dollar annual pension may be quite adequate for a twelve hundred dollar a year man and altogether inadequate for a ten thousand dollar a year man. Moreover, if the benefit be too small, there will be a tendency to retain the employee in active service and this would defeat the very purpose of the plan.

The relationship of the retirement benefit to earnings need not be a definite percentage of salary. As a matter of economy in administration, the use of salary classes is very desirable and should increase. Under such a plan, employees are grouped in certain classes determined by salary. For example, one class might include all earning under $100 per month; another group for those earning between $100 and $150 per month; etc. A small number of classes, from four to ten, would be sufficient for the ordinary concern. The retirement benefit would be dependent upon the salary class, so that the group earning under $100 might receive an annuity of $1 per month for each year of service; the second group $1.50 per month; etc. The annuity will thereby be determined by earnings, a desirable feature, but the calculations caused by using a percentage of the exact salary for each employee will be greatly reduced, which is also highly desirable.

The practice of basing the retirement annuity upon a function of final salary, whether this be assumed to be average earnings of the last one, five, or ten years, will decline, for an estimate of the salary many years hence is at best an "educated guess" and it is impossible to definitely determine, and therefore provide for, the liabilities as they accrue. The use of the total salary received during the entire service as the basis of retirement benefit will become more general since this does not require any estimate of future salaries and thereby removes one very uncertain factor from the calculation of the liabilities.

Another type of plan which will be adopted is the "money purchase" method, under which a certain percentage of salary, or an approximation thereof, is set aside each year and accumulated at interest until retirement, at which time an annuity is purchased by the fund in hand. Obviously, as the annual deposit is a function of salary, the retirement annuity will be related to earnings.

The wisdom of the practice of providing for the liabilities of a retirement plan as they accrue is being steadily recognized. Practically every investigation includes in its findings a recommendation that the plan be financed on the reserve basis. Employers are realizing that correct corporate accounting and finance should assess the cost of an employee's retirement income as an operating expense during his active service, for it is on account of that service that the income is payable.

Sound business practice has made it almost mandatory to charge off depreciation for buildings, equipment, and other capital assets while in active use and to build up a sinking fund for their replacement. This practice simply provides the funds for the replacement liabilities as they accrue, and not as they mature. This method was not always in effect, but required considerable time, patience, and educational work to accomplish its adoption. In like manner, the soundness of a similar practice for the replacement of the superannuated is becoming more generally admitted and, in time, will be in general use. Moreover, I believe that as this reserve principle is recognized, employers will insist on plans, the benefits of which are such that liabilities for them may be definitely determined and so not depend upon the course of such changeable rates as salaries and withdrawals, as those of many present plans do.

In a study published in 1925 by the National Industrial Conference Board, 248 different retirement plans conducted by 245 different firms were analyzed. Of these, less than 12 per cent. are contributory. That is the situation at present. As to the future, I believe the percentage of the new retirement plans which will be on a contributory basis will be much greater than 12 per cent.

Many advantages favor a contributory plan. It will either reduce the cost to the employer, or allow payment of larger benefits. The taint of paternalism or charity is removed and the habit of thrift and savings is encouraged. Employees value more something for which they must make some payment, and another opportunity is afforded for an increase in cooperation and mutual good-will between the employer and the employees.

The adoption of a contributory plan will encourage making the plan contractual, and thereby make moral obligations legal obligations. Probably one of the main reasons why most present plans are non-contributory and non-contractual is that the employer desired to have full control over the plan so that if, on account of the increase in eventual cost of which he had no conception or for any other reason, he thought it desirable to modify or cancel the plan, he could do so easily. Naturally, then, the employer did not wish to include any obligations arising out of the contributory feature. While this reason as to possible increase in cost may have been important in the past, it has little value now, since plans may be, and are being, devised for which the employer need have no fear as to eventual cost. There need be no such fear when the plan is underwritten by an insurance company, and as a result, considerably more than half of the plans underwritten recently by one insurance company permit the employees to contribute. A few years ago practically all Group Life Insurance was purchased at the sole expense of the employer, while now about 95 per cent. of the Group Insurance written is paid for jointly by the employer and the employees.

Of the 248 retirement plans referred to previously, about 3 per cent. are fully contractual and about 24 per cent. contractual to a limited degree. The remaining plans clearly avoid any legal liability to pay pensions, or even to continue them if once begun. As stated previously, the reason for this situation probably is that employers, uncertain as to eventual cost or for other reasons, wished to have the right to withdraw or change the plan at any time if deemed necessary or advisable. Fortunately, recent developments in the field of retirement plans and the missionary and educational work of consulting actuaries, insurance companies, and other organizations have made available to employers practical plans on a sound financial basis, which should be a prerequisite of any contractual plan.

The trend in the future will be toward plans in which the contractual relationship will be such that the plan may be discontinued, altered, or suspended at any time, but that any such discontinuance, alteration, or suspension shall in no way affect benefits accruing from service previously rendered. This is a very equitable arrangement. No present administration should be able to obligate a future administration to continue a plan as to future service, and likewise no future administration should be able to cancel or repudiate any obligations for which financial provision had been made previously.

From my own experience, I think it is fair to say that employers are much more interested in making the plan legally enforceable than are the employees; probably because the latter do not question the payment of the pensions provided. When an employer is convinced that he has a plan under which he can definitely provide for the liabilities, and knows that he will not be saddled with a huge unexpected deficit in the future, he frequently is very willing to make the plan contractual.

Another change in trend may also be expected in the employer's attitude toward migration. By migration is meant changing employment, and most present plans provide for loss of all pension rights upon termination of employment. From the viewpoint of social philosophy, there is little question concerning the value of migration and, accordingly, when an employee leaves an employer, he should not forfeit the retirement income provided on account of the service rendered his former employer. A suggestion that such a provision would be a good one is frequently greeted with the statement that employers would never do it, because they want to hold the loss of pension rights as a deterrent to withdrawal. My answer is that two corporations, each one of the largest in its field, have incorporated in their plans, provisions favorable to migration. Plans of a few other employers have similar provisions while necessary modifications are being considered for some existing plans. These plans are administered by insurance companies, which makes the inclusion of a migration provision much simpler than for a self-administered plan.

Employers are realizing that a pension at age 65 is practically no inducement for a young man to remain in service, because to him age 65 is far distant and he has no expectations that he will still be in the service at that time. On the other hand, the feeling has been expressed that if the employee knows that each year he will receive additional provision for old age not contingent upon remaining in service, he will stay on for one year, and then perhaps, for one more, and one more, in order to increase his protection against old age before changing employment. This may be a very hopeful attitude, but whatever the reason may be, the present indications are that a trend towards a liberal policy regarding migration has begun.

With the development of retirement plans on a contractual, contributory, and funded basis, it does not require much perception to see that sometime in the future retirement plans will come under the supervision and regulation of State Insurance Departments. The start towards such legislation has already been made in New York. It would only need the failure or collapse of several of the existing funds to greatly expedite any such movement. If state supervision of life insurance companies is justified, it is apparent that a convincing argument can likewise be made for the supervision of the retirement plan administered by the employer himself, for after all he is paying annuities and, therefore, doing an insurance business.

If, then, the industrial retirement plan of the future will have the above characteristics, I believe we will have developed a very satisfactory solution of the superannuation problem of the "industrial" group in this country. It will recognize that this group offers an entirely different problem than the social group. It will be based primarily on the principle of the prevention of loss of income by accumulation of income. It will not be individual prevention, for that cannot be realized except in a too limited degree. It will not be relief or prevention by the state, for the variations and complexities of the conditions in this country are very unfavorable to any universal scheme. It will be prevention by industry itself, for it is responsible for the problem and is best fitted to solve it.

My forecast is not an impractical dream. American industry does not hesitate, if it thinks it wise, to disregard previous practices or customs and boldly strike out along new paths, and the attitude which industry has begun to take towards problems of old age, disability, and unemployment is well illustrated by the statement of Mr. E. C. DRAPER, Treasurer of Hills Brothers Company, who said:

> My enthusiasm for preventive measures against evils of this character is primarily an economic one, because, being a business man, I like to view these problems from an economic standpoint. It is high time that modern business men stopped thinking about the hazards of industry as charitable problems and began thinking about them as industrial problems which directly affect their net income.

We need not look entirely to the future for progress. The stupendous growth of Group Life Insurance—with over three billions in force thirteen years after its inception—and its continual increase, is the contribution of American industry towards the removal of the specter of death from the workman. Through mutual benefit associations and Group Health Insurance industry is likewise assisting as to disability. As to old age, some employers have already established excellent retirement plans, but more remarkable is the fact that a great number of churches, educational institutions, and to a limited extent, governmental agencies, all notorious for supposed lack of business ability, have already in operation retirement plans which are built on a comparatively sound financial basis, and are thereby setting an example of excellent business practice to industry.

While close contact with many employers in this country has made me optimistic concerning the future development of industrial retirement plans, I know that the progress will not be accomplished easily. It will require constant intelligent missionary work in the education of the employers, with particular emphasis on the main practical questions involved. Such work is being done now by groups representing employees, employers, and the public, and the members of the Casualty Actuarial Society are especially qualified, because of their knowledge of both the technical and social phases, to assist in it. Any efforts made will be well compensated, not only in the knowledge of a service performed for society but also in the pleasure derived from the study of a most interesting and intriguing subject.