

Actuaries Take On Individuals' Pension Concerns, *Pro Bono*

IT'S A STORY THAT WOULD WORRY ANYBODY WHO IS DILIGENTLY SAVING FOR RETIREMENT: AN EMPLOYEE HAS BEEN MAKING PENSION CONTRIBUTIONS THROUGH HIS EMPLOYER FOR YEARS, BUT SUDDENLY HE DISCOVERS SIX MONTHS' WORTH OF CONTRIBUTIONS NEVER MADE IT TO HIS PENSION PLAN ADMINISTRATOR.

He has copies of his paychecks to prove that he made the contributions, but the balance of his account doesn't reflect the additions. With his employer on the verge of bankruptcy, he suspects that the company deducted the contributions from his pay, but never handed them over to the pension plan. He turns to the Department of Labor, which is in the process of investigating the company for various labor violations. Department officials promise to audit the employer, but can't really offer much individual assistance. What can this man do to recover the pension funds that are rightfully his?

Enter Tom Lowman, a Baltimore actuary, to explain how pensions work, double-check the amount owed and advise the employee on how to go about getting the money back. And for this help, on which this man's comfortable retirement might hinge, Lowman charges exactly nothing.

It's common for people to discover problems or inconsistencies in their pension plans—or they may simply have questions and would like another set of eyes to look over the calculations. What isn't common is for these people to have easy access to free, unbiased assistance with pension concerns. But actuaries are beginning to step in and fill that void by offering their services *pro bono* to those who need them.

"Pension plans are extremely complicated," says Karen Ferguson, executive director of the non-profit Pension Rights Center, which works to protect workers' pension rights and offers a pension attorney referral service. "Formulas are very difficult to understand, even for quite sophisticated employees. Actuaries did not have a *pro bono* tradition—they viewed their role as advising employers—but they realized that if the pension system is to be credible, there is this need. And since actuaries are key to the success of the system, there was nobody else to fill that need."

Lowman, a consulting actuary with Bolton Offutt Donovan Inc., has been doing *pro bono* work for years

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now, picking up three or four of the volunteer cases each year. He says the work is challenging and valuable, both for the person he helps and himself,

especially since he, like most actuaries, is accustomed to seeing things from the employers' perspective. "You'll get to see a few extra plans that weren't yours, and that's always interesting," he says. "You also get a little compassion for employees' side."

Ferguson says in most *pro bono* cases, the actuary examines the individual's plan documents and work history, and then makes the calculations. "Often, if it's wrong, the actuary may help the individual prepare a letter," she says. "Sometimes it's so clear, the individual just takes the actuary's worksheet and shows it to the employer."

Lowman says the amount of time and effort spent

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on *pro bono* cases can vary greatly. Sometimes it's simply a matter of rechecking calculations or writing a letter to plan administrators or an employer. In the case of the employee whose company bilked him out of 6 months' worth of pension contributions, Lowman ended up writing a letter to the employer stating what the man was owed and requesting the money. He ended up recovering the cash eventually. "I can only do so much, but in that case, it didn't take too much. That was a good situation," Lowman says.

But not all *pro bono* cases are that cut and dried. Lowman says it can get much more complicated; occasionally, actuaries doing *pro bono* work may be called upon to work as advocates for these clients. In one case Lowman worked on, an employee of a large organization ran into problems with his defined benefit plan, and it wasn't as clear in that case who was at fault.

"I chose to stay in background on that one and

help the employee understand what was going on," Lowman says. "My advice was try to deal with management, and not burn too many bridges, since it was a job security issue. In the end, it worked out pretty well."

Pro bono work can be a tough balancing act, Lowman says, especially when the client of another actuarial firm is involved.

"As actuaries, we have a little discomfort trying to figure out what our role is and how much of an advocate to be," Lowman says. "These are not your clients, but they are some other actuary's clients, so you want to handle the situation with some care. I can be torn a little bit in that regard—these are people who need help and need explanations. Some cases are easy, but in others when nothing was done wrong, it gets dicey."

Ferguson recognizes that *pro bono* work can sometimes put actuaries in a difficult spot, but she feels the potential for conflict of interest is very small. She says Great Britain has had an actuarial *pro bono* referral service in place for years, and it has worked wonderfully.

"In most instances, we're just talking about a very routine calculation—in fact, most of the time the calculation is correct and the actuary is just explaining how it was arrived at," Ferguson says. "When there are mistakes, most of the time they're innocent mistakes, and the actuary for the plan sponsor is probably very grateful they were caught. There are so many different ways of handling the remote possibility of some kind of conflict."

Ferguson says she's thrilled to see more and more actuaries coming forward to offer *pro bono* services and help out employees who need assistance.

"The bottom line is, it's absolutely essential for the system to work," she says. "Providing this service really helps inform the public about the important role actuaries play. Many people don't even know what an actuary is, so this is actually very good for the profession as well."

Another difficulty with actuarial *pro bono* work is that most people who need pension assistance don't know how to find

an actuary who is willing and able to help them out free of charge. There currently is no established referral system for employees to get names of actuaries who do this work. Many referrals come through informal channels from the Department of Labor, which has a list of 80 volunteer actuaries. But whether employees in need of assistance will be referred to one of those actuaries probably depends on the person they speak to at the labor department.

A handful of non-profit pension counseling programs around the country maintain lists of available *pro bono* actuaries, and there have been discussions about setting up a toll-free phone number to direct people in need of pension assistance. So far those ideas haven't panned out.

There are other avenues individuals can pursue—the National Pension Lawyers Network can sometimes help, and a for-

profit group called the National Center for Retirement Benefits has made some substantial recoveries—but Ferguson says employees still need access to free, impartial assistance from actuaries.

"Sometimes employers are not forthcoming with information, or they provide the information in ways an individual can't understand," Ferguson says. "In addition, in a number of instances, an actuary has reviewed a calculation and found it was wrong. Individuals need help if they're going to get the pensions they've earned. What's so encouraging is that the actuarial profession has stepped forward to offer that help."

Lowman encourages other actuaries to give volunteer work a try. "As pension actuaries, we have certain skills that attorneys don't have," he says. "A lot of us would like to help, and we need to help." ●