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REPORT TO THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON GOVERNMENT OPERATIONS, UNITED STATES SENATE

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Study Of The Local 295 Severance Trust Fund Of The International Brotherhood Of Teamsters, Chauffeurs, Warehousemen And Helpers Of America

B-175012

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

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MAY 21, 1973

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-175012

The Honorable Henry M. Jackson, Chairman,
Permanent Subcommittee on Investigations
Committee on Government Operations
United States Senate

Dear Mr. Chairman:

In response to your request of December 28, 1971, this is our report on our study of the Local 295 Severance Trust Fund of the International Brotherhood of Teamsters (the Plan).

Please note that our study is not based on an audit of the financial records of the Fund but largely on information extracted from the minutes of the meetings of the Plan's board of trustees and on data furnished by the former Plan administrator and by representatives of the Executive Life Insurance Company of New York.

Also, the study is based on the Plan as it was structured during its first 2 years of operations. Substantial changes have been made in the Plan's provisions during the past 2 months, but we understand that you are primarily interested in the type of plan initially adopted by the trustees.

Supporting and supplementary data developed by our actuarial staff will be made available to your staff if you so desire.

As you requested, we have not obtained comments on the report from the former administrator or the trustees of the Fund, the union, employers, the insurance agent, or companies involved. Our findings have been discussed with representatives of the New York State Department of Insurance.

We will not distribute this report further unless you agree or publicly announce its contents.

Sincerely yours,

Elmer B. Staats

Comptroller General
of the United States

Contents

ABBREVIATIONS

GAO General Accounting Office

NAIC National Association of Insurance Commissioners

COMPTROLLER GENERAL'S REPORT TO THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS, COMMITTEE ON GOVERNMENT OPERATIONS UNITED STATES SENATE

STUDY OF THE LOCAL 295 SEVERANCE TRUST FUND OF THE INTERNATIONAL BROTHERHOOD OF TEAMSTERS, CHAUFFEURS, WAREHOUSEMEN AND HELPERS OF AMERICA B-175012

D I G E S T

WHY THE STUDY WAS MADE

The Chairman of the Senate's Permanent Subcommittee on Investigations asked GAO to assist in the investigation of the Teamsters Local 295 Severance Trust Fund (the Plan).

The Subcommittee, concerned with some insurance practices being used in the Plan, asked GAO to make an actuarial study to determine whether the Plan (1) was properly funded and (2) adequately inured to the members' benefit.

The GAO study was made in close cooperation with the Subcommittee staff and was designed to supplement the staff's work.

Background

The Plan was established to pay severance benefits to Local 295 members upon termination of employment. It resulted from collective bargaining agreements between Local 295 and the employers of union members, effective for the 3-year period ending November 30, 1973.

Membership in the Plan averaged about 1,300 during the first year. Members are engaged in the trucking of air freight at the Kennedy Airport in New York City.

Each employer agreed to pay into the trust fund the following amounts per member for each week the member is on the payroll: $15 during the first year of the Plan; $30 during the second year; and $40 during the third year.

Under Plan provisions in effect during the first 16 months, severance benefits were paid when a member's employment was terminated. In event of a member's death, his beneficiary received an additional death payment funded from the proceeds of life insurance policies purchased by the Plan.

A 10-member board of trustees administers the Plan; 5 representing employers and 5 representing the union.

FINDINGS AND CONCLUSIONS

Insurance aspects of the Plan

Trustees purchased individual level-premium insurance policies on the life of each member during the first and second years of the Plan. The decision to provide insurance as a severance benefit was significant because almost half of the employers' contributions were applied to that purpose during the Plan's first 2 years.

The following aspects of the insurance coverage may interest the Subcommittee:

--Using individual insurance policies rather than a less expensive

MAY 21, 1973

group policy was of questionable benefit to members, considering the substantially greater premium costs to the Plan.

Individual policies also resulted in much greater commissions being paid to the insurance agency. Compensation to the insurance agency on individual policies purchased by the Plan during the first 2 years is estimated at about $800,000. GAO estimates compensation to the agency would have been about $10,000 for the same amount of group term insurance. (See p. 12.)

--Aside from the form of insurance provided, including life insurance of any type as a part of the benefit structure of a severance plan is of interest.

Insurance protection was not specifically required by the agreement between the union and the employers. Local 295 members had already been provided life insurance coverage under the Group Welfare Fund.

It would seem that, if additional insurance coverage were desirable, it would have been more logical to provide it through the Group Welfare Fund.

--The Plan, itself, was named as beneficiary of policies purchased during the first 2 years. Certain policies were issued without a consent agreement or an application signed by the insured persons. (See p. 17.)

--Trustees were not paying members' beneficiaries full proceeds of the life insurance policies purchased on members' lives. If a member died before age 55, his beneficiary received about 74 percent of the face value. (See p. 18.)

Was the Plan Properly Funded?

A test commonly used for determining soundness of financing of an employee benefit plan (such as the Local 295 Plan) is simply to determine whether the plan will be able to pay benefits provided under its terms.

To pass this test, the plan's present value of expected future receipts together with its assets must be equal to or greater than the present value of benefit payments and expenses expected to be paid in the future. In addition, at no point in the future should the fund's cash position be projected as negative.

By applying the above criteria to the Plan, as it operated during the first 16 months, GAO calculations show that, if the Plan were terminated on November 30, 1973, the expiration date of the present union-management agreements:

--It could not have been expected to have sufficient assets to pay benefits as they were determined during the first 16 months.

It could not have been expected to be able to pay such benefits immediately because its earnings would not have been sufficient to offset expenditures made for insurance premiums, administrative expenses, and benefit payments.

--It would have taken from 15 to 20 years before its earnings would have put it, if terminated, in a position to immediately pay termination benefits (contributions made on member's behalf, subject to forfeiture provisions for noninception members).

Although GAO projections, based on the assumptions on pages 21 to 22, indicate that the Plan--if it had been continued--should have been in position to pay benefits (as determined during the first 16 months of the Plan) as members terminated, GAO feels constrained to point out the following reservations.

--The soundness of projections is dependent on how closely the assumptions predict future experience. GAO assumptions regarding termination rates were based on data covering a relatively short period--about 7 months--and therefore would have been subject to greater uncertainty than usual for such projections.

--Plan documents were loosely worded and contradictory in some aspects and GAO's interpretations of Plan provisions were based largely on trustees actions during the Plan's first year.

--Future economic conditions can strongly affect the Plan's financial condition. For example, employers may not be able to continue the work force at the present level or to continue to make contributions at the specified rate.

Did the Plan adequately inure to the benefit of the members?

GAO believes benefits provided to the members would not have been commensurate with costs of the Plan. GAO concluded that a plan the size of Local 295 should return, in terms of present values, benefits to employees of about 95 percent of the contributions made to the plan. This was based on data published by the New York Insurance Department on jointly administered welfare and pension plans.

By contrast, GAO's analysis showed that the Plan would have returned--in terms of present values--only between 72 and 83 percent of employer contributions. (See p. 29.)

Trustees provided a form of life insurance, as part of the benefit package, which was much more costly than normal for a plan of this size. As a result, substantial portions of employers' contributions were applied to insurance commissions that could have been applied to employee benefits if group insurance had been obtained.

Administrative costs incurred by trustees and the Plan administrator were considerably greater than the average costs for other employee benefit plans in New York.

Conclusion

The Plan was not formulated or administered in the best interests of members. The Plan would have returned to the members too small a proportion of the fund's income. Other media would have enabled the Plan to provide greater benefits to members or would have required smaller employer contributions.

In early 1973 the Trustees made a number of changes which GAO believes will improve the soundness of the fund, and in the long run, result in greater benefits to the total membership of the Plan.

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CHAPTER 1

INTRODUCTION

The Teamsters Local 295 Severance Trust Fund (the Plan) was established to provide benefit payments to eligible members of Teamsters Local 295 upon termination of employment. The basis for determining benefit amounts for which members are eligible was not clearly and consistently described in the Plan's formal documents. Therefore, this report is based on (1) our review of the minutes of the board of trustees meetings, (2) explanation of the Plan by a representative of the former Plan administrator, and (3) formal documents.

The collective bargaining agreements covering members of Local 295 established a severance trust fund in to which employers would pay specified contributions. These agreements contain no details about the benefits to be paid from the trust fund, but use of the word "severance" indicates that the Plan's primary purpose is to make benefit payments upon termination of membership in the Plan. Actually almost half of the contributions were used to purchase individual life insurance policies with high initial expenses.

The discussion of member benefits in the Plan documents includes frequent references to the member's share account and net account. According to Plan rules and regulations, a member's account is to be credited with (1) the contributions made by the employer(s) on behalf of the member and (2) increments representing his share of other earnings of the Plan, as determined by the trustees. A member's account is to be reduced by (1) the premiums for the insurance policy (or policies) on his life, (2) his share of the Plan's administrative expenses, and (3) certain other charges, as determined by the trustees.

According to Plan documents, the balance in a member's account primarily determines the member's benefits.

PAYMENTS UPON TERMINATION OF EMPLOYMENT FOR REASONS OTHER THAN DEATH

Plan rules and regulations (section 3.06) provided that a member, whose employment was terminated for reasons other than death and who was a member of the Plan on

December 1, 1970, (inception member),[1] would be entitled to the amount standing to his share account as of the date of termination.

However, section 4.05 provided that any member

> " * * * who retires or terminates other than by reason of death shall receive as a minimum the benefit provided by the total amount of Employer contributions to the Trust Fund on his behalf."

The phrase, "the benefit provided by the total amount of Employer contributions," was not defined or further explained in the Plan Rules and Regulations.

The severance payments made to inception members between December 1, 1970, and March 31, 1972, were equal to the total contributions made on the members' behalf without any additions or deductions.

According to the minutes of a board of trustees meeting, members who entered the Plan after December 1, 1970 (noninception members), and subsequently terminated with less than 5 years in the Plan, received only a portion of the contributions made on their behalf. Noninception members were to be paid the following percentages of contributions credited to their accounts.

Years of membership in Plan	Percentage of employer contributions
Less than 1	-
At least 1 year but less than 2	20
At least 2 years but less than 3	40
At least 3 years but less than 4	60
At least 4 years but less than 5	80
At least 5 full years	100

[1]Certain groups of employees were considered inception members even though they entered the Plan after December 1, 1970.

Benefits payable to persons terminating or retiring at age 65 or more were essentially the same as those payable to other persons terminating for reasons other than death, except that noninception members were apparently not required to forfeit any portion of the contributions made on their behalf.

The termination benefits have not been substantially changed by the revisions to the Plan documents and administrative procedures which have taken place during the first quarter of 1973.

PAYMENTS UPON TERMINATION OF EMPLOYMENT
BECAUSE OF DEATH

The beneficiary of a member whose employment terminated because of death received, in addition to the severance benefit, a death benefit which was funded by the proceeds of life insurance purchased by the Plan on the member's life. Section 3.17 of the rules and regulations prescribed the following basis for determining amounts payable to the beneficiary in such cases:

> "Payment of the Member's net account shall be made in full to the Beneficiary after due proof of death has been received by the Trustees. The Member's net account shall be equal to the Employer contributions credited to such account plus increment or decrement as of the last evaluation date, less insurance premiums paid on the Contracts on such Member's life and less his allocated share of charges and expenses of the Trust Fund. Payment of the proceeds of Contracts issued on his life as a death benefit shall be made in equal monthly, quarterly, semiannually or annual installments, in the sole discretion of the Trustees, over a period of ten (10) years after the death of a Member who died on or prior to his fifty-fifth (55th) birthday, or over a period of five (5) years after the death of a Member who died after his fifty-fifth (55th) birthday, provided that the amount of each such payment is at least Twenty-Five ($25.00) Dollars."

Minutes of the trustees' meetings show, however, that payments were not actually made on the above basis. Although section 3.17 indicated that the benefit, exclusive of the benefit stemming from the insurance contract, was to be based on the member's net account, the Plan actually made such payments during the first 16 months at amounts equal to the contributions made on the member's behalf.

Furthermore, the trustees allowed beneficiaries to elect to receive the death benefits in single-sum payments instead of installment payments. In such cases, the trustees paid only the discounted value of the installments, although the rules and regulations did not specifically authorize this practice. (See p. 18.)

PAYMENTS TO MEMBERS UPON TERMINATION OF PLAN

Section 6.02 of the rules and regulations indicated that, upon termination of the Plan (or complete discontinuance of contributions), the members would receive their share accounts and the insurance policies on their lives. There was no guarantee that the members would receive at least the return of contributions on their behalf if the Plan were terminated.

AMOUNTS OF LIFE INSURANCE PURCHASED BY PLAN

The face amounts of the insurance policies purchased on the life of a member during the first and second Plan years were determined (subject to specified minimums) by multiplying the employer's weekly contribution by 50 and then by the number of years between the member's age and age 65. Under this formula, the following amounts of insurance were purchased for members of the ages indicated who entered the Plan during the second Plan year when the contribution rate was $30 per week.

Employee	Face-amount of insurance
A (age 25)	$60,000
B (age 40)	37,500
C (age 55)	15,000

If insurance were to have been purchased on the same basis during the third Plan year, the insurance amounts for a member entering the Plan then would have been as follows:

Employee	Face amount of insurance
A (age 25)	$80,000
B (age 40)	50,000
C (age 55)	20,000

The premiums for the insurance purchased during the first 2 Plan years were slightly less than one-half of the contributions made to the Plan by the employers.

CHAPTER 2

INSURANCE ASPECTS OF THE PLAN

The Plan, as initially adopted by the trustees, provided that a life insurance policy (or policies) was to be purchased on the life of each member. Ordinary level-premium life insurance policies were purchased during the first Plan year (December 1, 1970, through November 30, 1971) from The Executive Life Insurance Company of New York and during the second year (December 1, 1971, through November 30, 1972) from Trans World Life Insurance Company of New York. As of March 1973, trustees had decided not to continue these insurance arrangements for the third and subsequent years. (See ch. 5.)

Aspects of the insurance coverage purchased by the trustees during the first 2 years which may interest the Subcommittee in its investigation are

--the Plan's use of individual insurance policies rather than a less expensive group policy,

--the Plan's naming itself as beneficiary of the policies, and

--the trustees' practice of not paying members' beneficiaries the full proceeds of the policies purchased on members' lives.

PURCHASE OF INDIVIDUAL INSURANCE POLICIES--OF QUESTIONABLE BENEFIT TO MEMBERS

The policies purchased during the first 2 years of the Plan were treated as ordinary or individual insurance to determine commissions payable to insurance agents and to comply with State regulations; however, many characteristics of the insurance and its handling resembled group insurance.

According to officials of the New York Insurance Department, using individual policies instead of a group policy for a union-management welfare or pension fund the size of Local 295 is unusual and results in substantially higher insurance costs.

Group insurance is more appropriate for Plan

The Plan had the following characteristics which generally indicate situations where group insurance principles would apply instead of individual insurance.

--Insurance coverage was purchased on a mass basis for a group of persons with common characteristics (Local 295 group).

--Insurance coverage was provided without the usual evidence of individual insurability (such as medical examinations).

--The amount of insurance available to a member was determined by a formula which applied to all members of the group and precluded individual selection.

--The Plan trustees, rather than the insured persons, were the owners of the policies.

--The insurance companies handled sales and billings on a bulk basis.

--The trustees paid premiums from funds contributed by the employers of the insured persons.

Although individual whole-life policies generally provide several advantages to the insured which are not provided by group insurance, it is significant to note that the major advantages discussed below had little relevance to the Plan in which the policies were held by the trustees rather than the insured.

Plan members had no freedom to choose the plan or insurance amount or to tailor the coverage to their specific needs. Premiums were paid from employers' contributions for a large group of members; therefore, the level-premium feature provided no significant advantage for the individuals.

The cash-value feature of whole-life policies provided no advantage to a member. He could only use the cash value when he terminated, and if he chose to continue the policy he would have to purchase the policy from the trustees.

Furthermore, the policies had little or no cash value during the early years, depending on the member's age at issue. For example, the policies for an inception member, aged 24, who terminates 3 years later, would have no cash value even though the Plan would have expended about $2,000 in premiums for the policies.

The net result is that, as far as the Plan and its members are concerned, the ordinary whole-life policies purchased by the Plan had the disadvantage of higher cost but not the advantages which usually accrue to these policies.

Comparison of commission rates of individual and group policies

The Plan's use of ordinary level-premium life insurance policies provided the basis for the payment by the insurance companies of much higher agents' commissions than would have been paid if group life insurance had been used.

We estimate that, during the Plan's first 2 years, compensation payable to the insurance agents on the ordinary life insurance policies purchased by the Plan was about $800,000. In comparison, we estimate that commissions would have been only about $10,000 if the same amount of insurance had been provided under a group term policy and the commissions had been based on the high scale of the range of the National Association of Insurance Commissioners' (NAIC) Code of Ethical Practices with Respect to the Insuring of the Benefits of Union or Union-Management Welfare and Pension Funds (the Code of Ethical Practices).

NAIC adopted the Code of Ethical Practices in December 1957. It was intended to complement State insurance laws and to be a declaration of applicable principles in the proper conduct of insuring benefits of welfare and pension funds. The code includes a range of insurance commission rates which are considered reasonable for specified volumes of premiums.

As shown in the table below, the rates of commissions payable to agents on individual policies by Executive Life and Trans World Life are substantially greater than the high scale of the acceptable range adopted for group insurance commissions by the NAIC in its Code of Ethical Practices.

The rates are also significantly higher than the rates of Trans World Life for group policies.

Commission Rates--Percent of Premiums

	Years of insurance			
	1	2	3 to 4	5 to 10
Individual policies:				
Executive Life	50.0	12.5	7.5	7.5
Trans World Life	89.9	10.0	10.0	7.5
Group polices (note a):				
Trans World Life	5.26	1.81	1.81	1.81
Code of Ethical Practices (high)	1.49	1.49	1.49	1.49

[a]Based on Plan's premium level of $10,000 during first Plan year.

The rates shown include commissions and other compensation for both agents and general agents. Because the commission scale in the Code of Ethical Practices provides only for agents' commission, we increased the commission rate by 25 percent, an estimate of the compensation usually received by general agents. The Trans World Life rate for the first year for individual policies includes an agency development allowance of 34.9 percent of the first year's premium.

On the basis of a similar comparsion, the Welfare Bureau of the New York Insurance Department criticized the commissions payable on the insurance purchased by the Plan as being unconscionable.

The Code of Ethical Practices commission scale covers the the sale of group contracts, the form of coverage commonly used by union-management welfare and pension funds. Although Executive Life resisted the applicability of the commission scale of the Code of Ethical Practices to individual policies purchased by the Plan, the New York State Insurance Department officials believed that individual policy commission rates were not applicable to a pension or welfare plan which involved the sale of several thousands of policies through an agreement with a group of trustees and that group commission rates should have applied. As of December 1972, this matter was still being disputed.

To illustrate the relative levels of agency compensation on the sale of individual policies versus group term polices, we estimated the commissions which would have been payable during a 10-year period on two blocks of insurance purchased during the first 2 years of the Plan. A block of insurance, for this illustration, is the insurance purchased in either of the first 2 years of the Plan plus replacements after issue sufficient to maintain a constant total amount of insurance in force. In other words, for each termination or death there is a corresponding new entrant.

We considered the first year of each block to be newly issued in calculating group commissions. Estimates were developed as though each of the particular companies involved were actually providing the entire insurance coverage for the Plan.

We estimated the commissions payable based on two assumptions regarding member turnover.

- --There would be no terminations. This assumption is unrealistic but illustrates, simply, the differences in the amount of commissions payable on individual and group insurance.
- --Ten percent of the members would terminate each year and be replaced by new members.

The premium level used in the first illustration of the table (two blocks of $510,000) is approximately the amount of premiums which the plan paid on the individual policies purchased during the 2 years. The lower premium level is an estimate of what the premiums on the same amount of insurance coverage would have been during the first policy year if a group term insurance policy had been purchased. Our estimate of $125,000 is based on the statutory minimum first-year premium for companies doing business in New York State. The minimum, prescribed by law, is designed to sufficiently cover most groups.

Estimates of Commissions Payable to Insurance Agency During First 10 Years of Plan

	Individual policies' rates		Group insurance rates	
	Executive Life	Trans World Life	Trans World Life	Code of Ethical Practices
	(000 omitted)			
On two blocks of insurance involving premiums of $510,000 each:				
Assuming no employee termination	$1,211	$1,644	$211	$144
Assuming 10% employee severance and replacement by new employees	1,609	2,385	211	144
On two blocks of insurance involving premiums of $125,000 each			93	64

The above table shows the difference between insurance commissions payable on group and individual policies generally. It should be noted that group insurance commissions are not affected by member turnover.

Investigations of agency compensation rates by New York Insurance Department

New York Insurance Department officials said the Department investigated rates of compensation payable by Executive Life and by Trans World Life on Plan policies in December 1972.

Executive Life

The master general agents agreement of Executive Life provides for a persistency bonus in addition to its regular scale of commissions payable to general agents for renewal policies. The persistency bonus was to be a payment of 12.5 percent of the premimum for the second year of insurance, 17.5 percent for the third and fourth years, and 7.5 percent for the fifth through tenth years.

The Assistant Chief of the Life Bureau of the New York Insurance Department notified Executive Life on November 16, 1971, that the renewal commissions plus the persistency bonus were in excess of the section 213 maximum, that the company should be guided by that opinion, and that any payments made not in accordance with the opinion would constitute willful violations of the insurance law of the State of New York.

New York Insurance Department officials in December 1972 said they understood that Executive Life was not paying the persistency bonus.

Trans World Life

The New York Insurance Department was investigating whether the insurance agency qualifies for the agency development allowance paid by Trans World Life to supplement its commission scale. The allowance is 63.5 percent of the first-year commission which, in turn, is 55 percent of the first-year premium; therefore, the combined first-year commission and agency development allowance is almost 90 percent of the first-year premium.

New York law allows such an agency development allowance to supplement the maximum scale prescribed in section 213 in the case of new general agents who are establishing and developing an agency organization. A general agent with prior service as a general agent or agency manager with any life insurance company or companies must have less than 5 years of total service to be considered a new general agent.

The New York Insurance Department was also investigating why the regular commission scale of Trans World Life was used on Plan policies even though the guaranteed-issue principle was used for these policies. The general agent's contract with Trans World Life provides for paying a commission scale lower than the regular scale when policies are issued on the guaranteed-issue basis. Such policies are issued regardless of the applicant's state of health and therefore are subject to a higher rate of mortality than regularly underwritten policies. One way the companies have to offset this extra mortality is to pay the agent a lower amount of commission for guaranteed-issue policies.

PLAN WAS NAMED AS BENEFICIARY OF INSURANCE POLICIES

The insurance policies purchased from both Trans World Life and Executive Life on the life of each member were issued to Plan trustees, and named the Plan as the beneficiary and owner. The trustees therefore received the proceeds from the insurance upon a member's death. Furthermore, the trustees required that, if a member terminated for reasons other than death and chose to own the policy, he would have to purchase the policy from the trustees for the cash value.

Executive Life Policies were issued on the basis of an application for each policy signed by an agent of the trustees. The policies were issued without a consent agreement or an application signed by the insured persons.

The New York Insurance Department questioned the legality of this procedure. The Department cited Executive Life on February 9, 1972, for violating section 146(3) of New York Insurance Law because the applications did not contain the signed consent of the insured. New York Insurance Department officials advised us in December 1972 that hearings had been held on this citation but that the Department had made no decision.

DISCOUNTING PRACTICE

The administrator discounted the proceeds on life insurance policies when a member's beneficiary elected to receive a lump-sum payment rather than installment payments, and the trustees accepted this practice. The rules and regulations did not specifically authorize this practice. Furthermore, insurance notices issued to members did not state that the face amount of insurance would be paid in installments over a period of years or that the amount payable to the member's beneficiary at death would be the discounted value of such installments.

A list of death-claim payments made by the Plan from its inception through March 31, 1972, shows that each beneficiary elected to receive a lump-sum payment and that the payments were discounted.

The discount was computed on the basis of interest at the rate of 6 percent per year, compounded annually, with the first payment becoming due 1 year after death and with annual payments thereafter. This rate reduced the face amounts of insurance payable by 26.4 percent if death occurred on or before age 55 and by 15.8 percent if death occurred after age 55.

In monetary terms, for each $1,000 of death benefits the life insurance company paid to the Plan when a member died on or before age 55, the member's beneficiary was paid $736 and the Plan retained $264. If death occurred after age 55, $842 was paid to the member's beneficiary and $158 was retained by the Plan.

The booklet titled, "Your Severance Bonus Plan," which was intended to advise members of the benefits to which they were entitled, did not disclose that insurance proceeds were supposed to be paid in installments and that part of the proceeds would be retained by the Plan if a single-sum payment was made. The booklet states that certificates would be issued to members telling them what their insurance benefits would be in each case. As indicated above, however, the amount shown on the insurance certificate was the face amount of the insurance which was paid to the Plan rather than the amount payable to the member's beneficiary when a single-sum payment was elected.

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The trustees of an employee welfare fund are responsible in a fiduciary capacity for all money, property, or other assets which they receive, manage, disburse, or direct according to section 37-L of the New York Insurance Law. We question how effectively the trustees have carried out their fiduciary responsibilities.

CHAPTER 3

WAS THE PLAN PROPERLY FUNDED?

A test commonly used for determining the soundness of the financing of an employee benefit plan (such as the Local 295 Plan), is simply to determine whether the plan will be able to pay the benefits, provided under its terms in the future, assuming that the plan will not be modified. To pass this test, the plan's present value of expected future receipts, together with its existing assets, must equal or exceed the present value of benefits and expenses expected to be paid in the future. In addition, at no point in the future should the fund's cash position be projected as negative.

Applying the above criteria to the Plan, as it operated during the first 16 months, our calculations show that if the Plan were to have been terminated at November 30, 1973, the expiration date of the present union-management agreements:

--The Plan could not have been expected to have sufficient assets to pay benefits as they were determined during the first 16 months or to pay such benefits immediately upon its termination because earnings during the first 3 years would not have been sufficient to offset the expenditures made for insurance premiums, administrative expenses and benefit payments.

--It would have taken from 15 to 20 years before the Plan's earnings would have put it, if terminated, in the position to immediately pay termination benefits (contributions made on member's behalf, subject to forfeiture conditions for noninception members).

Although our projections based on the assumptions stated on pages 21 to 22 indicate that, if the Plan had been continued, it should have been in a position to pay benefits (as determined during the first 16 months of the Plan) as members terminated, we feel constrained to point out the following reservations.

--The soundness of projections is dependent on how closely the assumptions predict future experience. Our assumptions regarding termination rates are based on data covering a relatively short period--about 7 months--and therefore would have been subject to greater uncertainty than usual for such projections.

--Plan documents were loosely worded and contradictory in some respects and our interpretations of Plan provisions were based largely on the actions of the trustees during the first year of the Plan's operation.

--Future economic conditions can strongly affect the Plan's financial condition. For example, employers may not be able to continue the work force at the present level or to continue to make contributions at the specified rate.

Our projections and comments should be considered in the light of these reservations.

ASSUMPTIONS UNDERLYING OUR PROJECTIONS

To project the monetary effect of transactions which could have been expected to take place in the future, it was necessary to make the following assumptions about the Plan's operations.

Date of valuation--December 1, 1970, the date the Plan became operational.

Number of members--An estimated 1,332, inception members. It was assumed that Plan membership would be maintained at this level.

Ages of members--The age distribution of new members is assumed to be identical to the distribution of ages of inception members.

Employer contribution (per member)--$15 per week during the first Plan year, $30 per week during the second year, and $40 per week during the third and subsequent years.

Mortality rate--1960 Commissioners Standard Group Mortality Table.

Interest earnings--5 percent per annum.

Insurance premium rates--Rates charged the Plan by Executive Life.

Cash value of policies--Estimates based on whole life policies issued on Plan members by Executive Life.

Face amounts of insurance policies--Based on the coverage described on pages 8 to 9.

Administrative expenses--Estimates were developed based on the actual expenses incurred by the Plan during its first year of operation. (See pages 37 to 38.)

Rates of terminations--On the basis of experience during the first 7 months of operation, estimates were developed of the rate at which members would terminate from the Plan. Because the data available on the Plan's termination experience was extremely limited, we developed two sets of termination rates. Scale A assumes a higher rate of termination which would be unfavorable to the Plan because early terminations of inception members (except perhaps by death) will result in Plan losses. Scale B assumes a lower rate of terminations and therefore presents a less conservative view of the Plan's financial position. (Termination rates used are detailed in Appendix II.)

Benefits--Our projections assume that payments will continue to be made on the same basis as during the first 16 months of the Plan.

FINANCIAL PROJECTIONS

The following aspects of the Plan's benefit structure are significant in understanding the results of our financial projections.

--The Plan would have incurred a loss when an inception member terminated (for reasons other than death), during its first few years because the member would have received a return of gross contributions made on his behalf even though about half of these contributions would have been applied to insurance premiums and administrative costs. This deficit would eventually have been negated in later years when the Plan's earnings on investments plus the cash value of the insurance policies and the discount on death claims were built to an amount sufficient to offset the insurance and administrative costs.

--The Plan would have gained when noninception members terminated during the first few years of membership in the Plan because the vesting provisions did not provide the member a full return of the employers' contributions until the member had been covered by the Plan for 5 years or more. Also, contributions began at least 6 months before an insurance policy was issued on a member's life.

Projection of assets and liabilities

The following tabulation compares the liabilities and assets projected for the Plan through November 30, 1989. This projection was based on the assumption that member terminations would be at the rate envisioned in scale A, and therefore the projection was conservative.

Projected Assets and Liabilities

As of November 30,	Assets	Liabilities	Percent of liabilities funded
	(000 omitted)		
1971	$ 400	$ 900	44
1972	1,300	2,400	54
1973	2,600	4,200	62
1974	4,000	5,800	69
1975	5,500	7,300	75
1976	6,900	8,800	79
1977	8,200	10,100	81
1978	9,400	11,300	83
1979	10,500	12,300	85
1980	11,400	13,300	86
1981	12,300	14,100	87
1982	13,200	14,900	89
1983	14,000	15,600	90
1984	14,800	16,200	92
1985	15,600	16,700	93
1986	16,400	17,300	95
1987	17,300	17,800	97
1988	18,300	18,300	100
1989	19,400	18,900	103

Assets are comprised of cash, investments, and cash values of the life insurance policies. The liabilities are equal to the gross contributions made on behalf of active members (with the appropriate vesting percentages applied to the contributions for noninception members).

As shown above, the Plan's liabilities could not have been considered fully funded until after the Plan had operated for about 20 years. Had it been terminated before that time, the Plan probably would not have had assets sufficient to immediately pay the termination benefits as they were determined during the first 16 months of the Plan.

Projections of contributions and expenses

The following table shows the estimates of net gains or losses from Plan operations for the two classes of benefits with the two termination scales. The present value of contributions, benefit payments, and other costs are shown here as percentages of employer contributions.

	If members were to receive			
	Inception benefits and terminate as in		Noninception benefits and terminate as in	
	Scale A	Scale B	Scale A	Scale B
Employer contributions	100%	100%	100%	100%
Expenses:				
Benefit payments to members	83	79	73	72
Insurance costs (premiums less benefits)	12	13	13	13
Administrative	5	5	5	5
Other	2	2	2	2
Total expenses	102	99	93	92
Net gain or loss	-2	1	7	8

The first 2 columns in the table show the projected results as if only the 1,332 members included in the November 1971 census were to be covered by the Plan. They assume that no new members would be brought into the Plan and therefore that contributions would not be forfeited, which would happen if noninception members would terminate during the first 5 years of coverage. Therefore, the results shown in the first two columns represent the most conservative estimate of the Plan's operations.

In actual practice, it would have been expected that as inception members terminated, new members would have been brought into the Plan. As new members were admitted, of whom a portion could have been expected to terminate with little coverage, the Plan would have gained financially. The bottom line of the table indicates the effect on the financial position of the Plan if allowance is made for some of the members to have terminated before completing 5 years of membership thereby forfeiting all or a portion of the contributions made on their behalf.

From the analysis presented above it appears that, if inception members who would have terminated were replaced by new members, the ultimate gain to the Plan should have more than offset losses from terminating inception members.

Cash-flow projections

The cash-flow analysis shown below was made to determine if the Plan would have had enough cash to pay benefits as members terminated. Cash-flow projections over the first 11 years indicated that the Plan should have had a sufficient cash flow.

Year ending November 30	Contributions and earnings	Benefit payments, insurance premiums, and other expenses	Balance--cash and invested assets (note a)
	(000 omitted)		
1971	$1,100	$ 700	$ 400
1972	2,200	1,300	1,300
1973	2,900	1,800	2,400
1974	3,000	2,000	3,300
1975	3,100	2,200	4,200
1976	3,200	2,400	5,000
1977	3,300	2,600	5,700
1978	3,400	2,700	6,300
1979	3,400	2,900	6,900
1980	3,500	3,000	7,400
1981	3,500	3,100	7,800

[a]Excludes cash values of insurance policies.

ACTUARIAL STUDY BY LAWRENCE R. SCHIFF ASSOCIATES

In June 1971, Lawrence R. Schiff Associates submitted to Fringe Programs, Inc., an actuarial study of the Plan's operation which projected (1) the Plan's income, expenses, and cash position for each year through November 30, 1981, and (2) the Plan's assets and liabilities as of December 1, for each year through 1981. The Schiff study showed that

--the Plan could have maintained a satisfactory cash-flow position through November 1981 and

--the Plan's assets would have become equal to its liabilities during the year beginning December 1, 1979.

The results of the Schiff projections presented a somewhat more favorable picture of the Plan than our study did. The actual experience of the Plan during its first year of operation had a significant impact on the assumptions made for our projections. Some of the significant differences in assumptions follow.

1. Schiff assumed that death benefits would be paid in annual installments over a 10-year period as provided for in Plan documents. Because all claims during the first Plan year were actually being paid on a lump-sum basis (discounted at 6 percent per year), our projections are based on the assumption that this practice would have continued.

2. Schiff assumed that death-benefit payments would include gross contributions made on behalf of the member, less the cost of his insurance policy. During the first year of the Plan, this was not the practice. Our computations assumed that the practice of returning gross contributions would be continued.

3. Schiff apparently did not include any expenses for rent and for legal, auditing, or clerical services. Our projections are based on the assumption that such expenses would have been about 2 percent of the employers' contributions as was the case during the first Plan year.

4. Schiff assumed a 6-percent return on the Plan's investments. Our projection anticipates a 5-percent return. The only interest-bearing assets held by the Plan during the first year were savings accounts.

5. Schiff used termination rates of 15 percent for members below age 35 and 10 percent for members aged 35 and above. Our projections used graduated rates varying by attained ages.

CHAPTER 4

DID THE PLAN ADEQUATELY INURE TO THE BENEFIT OF THE MEMBERS?

In our opinion, the benefits provided to the members would not have been commensurate with the costs of the Plan. Using data published by the New York Insurance Department on jointly administered welfare and pension plans, we conclude that a plan the size of the Local 295 should return--in terms of present values--benefits to employees of about 95 percent of the contributions made to the Plan. By contrast, our analysis showed that the Plan would have returned only between 72 and 83 percent of the employer contributions based on present values.

In our opinion, Plan trustees made a number of highly questionable decisions regarding the Plan and its administration. The trustees provided a form of life insurance as part of the benefit package which was much more costly than that normally obtained for a plan of this size. As a result, substantial portions of the funds contributed to the Plan by the employers were applied to insurance commissions that could have been applied to employee benefits if group insurance had been obtained.

Also, the administrative costs incurred by the trustees and the contractor employed to administer the Plan were considerably above the average costs for a plan of this type.

COMPARATIVE FINANCIAL RESULTS FOR TERMINATING MEMBERS

The table below compares the present values of the contributions made by employers with the benefit payments that were expected to have been made to members under the Plan. The results are stated as percentages of the contributions and are based on the assumptions described on pages 21 and 22.

Using these assumptions, the present values of future benefits and future contributions were calculated (as of the valuation date) for the inception members. In determining the present values the assumption was made that no member would continue employment after age 65. The same procedures were followed in securing figures for noninception members. However, the inception members were assumed to receive the some benefits as noninception members.

	If inception members were to receive			
	Inception benefits and terminate as in		Noninception benefits and terminate as in	
	Scale A	Scale B	Scale A	Scale B
Contributions	100%	100%	100%	100%
Member benefits	83	79	73	72
Loss to members	17	21	27	28

The loss to members is merely the difference in the present value of what is paid on their behalf and what they receive. The difference is the result of (1) the insurance premiums having a greater present value than expected insurance benefits and (2) the administrative expenses incurred by the Plan.

The comparison in the table below is made as if (1) employer contributions continued at $40 per week and (2) the employee benefit structure were not changed. While this comparison shows that benefits to members vary between 72 and 83 percent of employer contributions, consideration must also be given to the ultimate gain or loss to the Plan.

Our projections of contributions and expenses showed that the ultimate effect on the Plan--stated as percentages of contributions--would be as follows:

	If inception members were to receive			
	Inception benefits and terminate as in		Noninception benefits and terminate as in	
	Scale A	Scale B	Scale A	Scale B
Net gain or loss from operations	-2%	1%	7%	8%

In the normal plan it would be expected that, in the long run, either the benefit structure or the employer contribution rate would be adjusted to compensate for the gains or losses from operations.

ALTERNATIVE METHODS OF FINANCING PLAN

As previously discussed in Chapter 2, the trustees purchased individual whole-life insurance policies for Local 295 members. For a plan this size, we believe that other less expensive methods of providing benefits to members would have been more appropriate. Although it is not feasible to show a full cost-benefit analysis of alternative financing procedures which could have been used by the Plan, a brief discussion of the following alternative methods is presented.

--Retention of all contributions for severance benefits.

--Group term insurance with a separate investment fund.

--Self-insurance.

--Group permanent insurance with a separate investment fund.

Retention of all contributions for severance benefits

The collective bargaining agreement provides for a severance trust fund but does not require that any form of life insurance coverage be provided. All contributions, after deducting expenses, could have been retained and invested by the trustees, and eventually used to pay severance benefits.

The following table demonstrates the benefits that could be provided by such a plan for a 25-year-old inception employee and compares those benefits with the value of benefits provided under the original plan. The mortality rate and interest assumptions are the same as those of our previous calculations--1960 Commissioners Standard Group Mortality Table and 5-percent interest compounded annually. The table shows that retaining all contributions for severance benefits would produce greater termination benefits to a terminating member than the original benefit structure, if he remained in the Plan for more than 4 years.

End of year	Accumulated contributions with interest less expenses (note a)	Accumulated contributions without interest plus insurance coverage value
1	$ 773	$ 830
2	2,382	2,492
3	4,603	4,712
4	6,935	6,941
5	9,384	9,179
6	11,955	11,427
7	14,655	13,686
8	17,490	15,958
9	20,467	18,245
10	23,592	20,548
11	26,873	22,870
12	30,318	25,214
13	33,936	27,583
14	37,735	29,980
15	41,724	32,408
16	45,913	34,871

[a]Includes an allowance for administrative expenses of $25 per year which is the average for plans in New York.

Although the table only compares the benefits for an inception member who joined the Plan at age 25, it would also apply to other age groups. Generally, the member would get greater benefits under the original plan during the first few years but as time would pass the benefits under the noninsurance plan would become better.

We noted that Local 295 members had already been provided life insurance coverage under their Group Welfare Plan. In our opinion, if additional life insurance were considered desirable, it would have been more logical to provide it through the Group Welfare Plan.

Group term insurance with a separate investment fund

Another alternative to the original funding would be to separate the insurance element from the benefits payable upon severance for a reason other than death. This basic alternative has several variations, but one method would be to approximate the benefits offered by the Plan with a combination of group term life insurance and a money purchase pension plan (i.e., a pension in which employer contributions were allocated with respect to specific members and the benefits are the amounts which can be provided by these allocated contributions).

The beneficiary named by the member would receive a death benefit directly from the insurance company. This arrangement would be a distinct improvement over the original procedure whereby the Plan was named as beneficiary of the insurance policies and the trustees retained a portion of the death claim proceeds. Under new arrangements, the member's beneficiary would receive the benefit of the total insurance for which premiums had been paid rather than a discounted value, as was the original policy. (See p. 18.)

Premiums on group term insurance would be considerably less expensive and therefore a considerably larger amount could be put in the member's share accounts. The accounts should be considerably larger than the current share accounts and insurance cash values, and should eventually exceed the contributions for an individual. How long it would take for an account to exceed the contributions depends on actuarial experience and the member's age.

Adjustments to the benefit structure for combining group term insurance and a separate pension plan could be made which might further improve the plan. The current practice of paying terminating inception members a refund of contributions made on their behalf, could be changed thereby assuring solvency (i.e., assets sufficient to pay all termination benefits). Therefore, payments to terminating members would not be detrimental to the share accounts of other members.

Under this alternative, individual whole-life policies on which the member can continue premiums would not be provided. However, New York Insurance Law guarantees him the right to convert his group term insurance to a whole-life policy. Our analyses show that, continuing a policy by buying it for the cash value or getting a new policy for the regular premium, are both about equal in value.

The amount of insurance coverage could be set on a more logical basis (e.g., fixed amounts for all members).

Self-insurance

If the Plan were self-insured, the trustees would pay no premiums to insurance companies, but they would be responsible for paying claims directly from Plan moneys. It would be necessary for the Plan to make an actuarial analysis to determine the level of benefits that could be paid. Since contributions are much greater than expected death benefits, the Plan appears to be in an excellent position to withstand possible variations in mortality rates.

Our analyses show that the Plan's financial position would be substantially improved if self-insurance procedures were adopted. Working from the same set of assumptions as those presented on pages 21 and 22 with one exception--the administrative cost of self-insurance is assumed to be $25 per member per year--we projected the results of the Plan's operations under self-insurance, as follows.

	If members were to receive			
	Inception benefits and terminate as in		Noninception benefits and terminate as in	
	Scale A	Scale B	Scale A	Scale B
Employer contributions	100%	100%	100%	100%
Benefits to members	83	79	73	72
Administrative expenses	1	1	1	1
Net gain from operations	16	20	26	27

These gains under self-insurance would save the Plan about 18 percent of contributions with which to increase benefits, reduce contributions, or both. In addition to the greater risk involved under self-insurance, the main disadvantage would be the difficulty in permitting members to continue insurance after severance.

Group permanent insurance with separate investment fund

Another modification that is possible which would not change the Plan as radically as some of the other alternatives would be to use a level-premium group permanent contract with a separate investment fund. Under level-premium group permanent plans, a level premium is determined for each participant using such forms of insurance as life paid up at 65, endowment, or whole life. Therefore, substituting a group permanent contract for individual whole-life policies would not affect many features of the Plan. The same form of insurance (whole life) could be provided, and the trustees could return contributions without interest in accordance with current practice. The size of the separate investment fund would be increased if the insurance premiums are reduced. A reduction in insurance premiums is likely because expenses (commission and other) would be substantially reduced, and mortality rates would be unaffected. The larger the membership turnover of Local 295, the larger would be the expense savings. Even a small savings in premium could have had a far-reaching effect on the status of the fund.

HIGH ADMINISTRATIVE COSTS INCURRED BY PLAN

The Plan's administrative costs for the first Plan year (December 1, 1970, through November 30, 1971) were $125,381, of which $86,877 represented charges of the former Plan administrator.

The $86,877 fee payable to the former administrator represented an annual cost of about $65 per member. This cost was substantially greater than the estimate of $0.94 per member a month ($11.28 per year) made by a representative of the former administrator during the January 21, 1971, Board of Trustees meeting.

Although there was no formal agreement between the trustees and former administrator, the invoice from the former administrator dated January 10, 1972, addressed to the trustees, attached a memorandum which gave the following formula for determining the fee payable to the administrator, based on employer contributions:

Fee (percentage)	Employer contributions	
10	First	$ 100,000
9	next	150,000
8	next	250,000
7	next	500,000
6	next	1,000,000
5	all above	2,000,000

In addition to the fee determined through this formula, a charge of $0.40 was made for each item of mail out, returned mail, termination, beneficiary change, employer change, address change, name change, and etc. The total charge of $86,877 was made up of $80,893, determined on the percentage-fee basis, and $5,984, determined on the per item charge.

The Plan's financial report shows that other operating costs of $38,504 were incurred in the first year, in addition to the costs paid to the former administrator. These costs increased the Plan's total administrative costs to $125,381 and the costs per member to about $94.

Information provided by the New York State Insurance Department for expenses incurred by New York welfare and pension funds jointly administered by union and management show that administrative costs in 1970 averaged about $25 per member for welfare plans and about $20 per member for pension plans. Comparing these average costs with the Plan's cost shows that the Plan was subject to very heavy administrative charges with costs per member being about four times as great as costs for other funds in New York.

CHAPTER 5

CONCLUSIONS AND COMMENTS ON CHANGES MADE TO THE PLAN IN 1973

The Plan was not originally formulated or administered in the best interest of the members.

--Too small a proportion of the Plan's income was being returned to the members.

--Other funding media existed which would have enabled the trustees to reduce expenses and therefore either pay higher benefits to the members or reduce contributions required from the employers.

It appears that it is the trustees' primary responsibility to insure the interests of the employees and that the trustees did not have sufficient knowledge to design their own plan or to effectively evaluate the plan which was developed for them. In early 1973 the trustees dismissed the administrator and made the following changes in the Plan.

--Of the \$40 weekly contributions to be made by the employers for each member, only \$4 will be applied to life insurance. A separate insurance fund was established. The balance, or \$36, will go into a fund for paying severance benefits. The severance benefits are basically unchanged although the more economical funding medium will presumably allow larger severance benefits based on the share accounts in the future.

--A single group term insurance contract, effective March 1, 1973, was purchased and the individual whole-life policies were dropped.

--Under the group insurance policy, each member is covered for \$30,000 plus accidental death and dismemberment.

--No agent or broker was involved in the purchase of the group term insurance policy, thereby eliminating the large-scale commissions of individual whole life policies.

--The proceeds of the insurance will go directly to the deceased member's beneficiary without discounting.

We believe that these changes improve the Plan. Although we have not made financial projections of the effects of these recent changes, we believe that they will improve the soundness of the fund and, in the long run, will result in greater benefits to the total membership of the Plan.

CHAPTER 6

SCOPE OF STUDY

Our study included an evaluation of the actuarial soundness of the Plan and of the appropriateness of the funding media used. It was directed primarily to determining if the Plan's funding and benefit provisions were structured in the best interest of the Plan members.

We reviewed available documentation on the Plan and its administration, including:

--The collective bargaining agreement between Local 295 and the several employers of Local 295 members.

--Plan rules and regulations.

--Agreement and declaration of trust establishing the Plan.

--A copy of a booklet describing the Plan and a copy of a leaflet listing questions and answers about the Plan.

--Copies of the minutes of trustees meetings for the period January 1971 to February 1973.

--A report prepared by Lawrence R. Schiff, Associate of the Society of Actuaries, dated June 11, 1971, on the projected cash flow of the Plan's operations for each of the first 11 years from December 1, 1970, to December 1, 1981.

We also interviewed representatives of the former Plan administrator and the New York State Department of Insurance.

Our projections were based on (1) techniques commonly used by actuaries for such projections and (2) the assumptions and data indicated in the appropriate sections of this report.

BEST DOCUMENT AVAILABLE

United States Senate

COMMITTEE ON
GOVERNMENT OPERATIONS
SENATE PERMANENT SUBCOMMITTEE
ON INVESTIGATIONS
(PURSUANT TO SEC. 4, S. RES. 31, 92D CONGRESS)
WASHINGTON, D.C. 20510

December 28, 1971

My dear Mr. Staats:

The Permanent Subcommittee on Investigations is presently conducting a preliminary investigation into labor-management activities with particular regard to a recent concept in employee benefit plans: namely, severance trust plans which are assumed to supplement existing employer group pension plans.

The investigation is presently centered on Teamster Local 295 of New York City, whose 1,300 membership is engaged in the trucking of air freight at John F. Kennedy Airport. We are also concerned in the instant case with the propriety of some of the insurance practices within the severance trust plan.

The inquiry necessarily requires an actuarial study of the Local's severance trust plan to determine whether the plan is properly funded and whether, in fact, the plan adequately inures to the benefit of the rank and file members. These studies require an expertise not available within the Subcommittee staff but which I understand is within the capability of your office.

Accordingly, it is requested that the General Accounting Office assist in this investigation by making such studies and reporting their findings to the Subcommittee. A more detailed description of the Subcommittee's requirements and access to the material upon which they would be predicated will be made available to your representatives by Subcommittee staff members.

In the event the matter is brought to hearings at some future date, it is likely that you would be requested to present testimony of those findings to the Subcommittee.

Honorable Elmer B. Staats December 28, 1971

My sincerest thanks to you for your cooperation not only in this request but also for all the past help and cooperation to this Subcommittee.

Sincerely yours,

John L. McClellan
Chairman

Honorable Elmer B. Staats
The Comptroller General
of the United States

BEST DOCUMENT AVAILABLE

LISTING OF TERMINATION AND MORTALITY RATES AND AGE DISTRIBUTION USED IN GAO CALCULATIONS

AGE	TERMINATION RATES SCALE A	TERMINATION RATES SCALE B	MORTALITY RATES 1960 CSG	AGE DISTRIBUTION
17	.383	.333	.00190	0
18	.328	.278	.00199	2
19	.277	.227	.00203	13
20	.242	.192	.00209	20
21	.217	.167	.00214	28
22	.202	.152	.00218	42
23	.195	.147	.00221	48
24	.188	.142	.00224	50
25	.182	.137	.00226	52
26	.176	.132	.00228	52
27	.170	.127	.00230	58
28	.164	.122	.00233	51
29	.157	.117	.00236	45
30	.150	.112	.00240	47
31	.143	.107	.00245	43
32	.136	.102	.00251	62
33	.128	.097	.00260	47
34	.121	.092	.00271	47
35	.114	.086	.00285	42
36	.107	.080	.00302	34
37	.100	.075	.00321	31
38	.094	.071	.00345	43
39	.088	.067	.00372	26
40	.083	.063	.00402	37
41	.078	.059	.00437	25
42	.073	.055	.00475	35
43	.073	.055	.00518	29
44	.073	.055	.00564	28
45	.073	.055	.00615	16
46	.073	.055	.00670	31
47	.073	.055	.00731	28
48	.073	.055	.00798	9
49	.073	.055	.00872	22
50	.073	.055	.00952	25
51	.073	.055	.01040	15
52	.073	.055	.01137	22
53	.073	.055	.01244	20
54	.073	.055	.01361	16
55	.073	.055	.01488	16
56	.073	.055	.01624	12
57	.073	.055	.01770	18
58	.073	.055	.01924	10
59	.073	.055	.02087	15
60	.073	.055	.02262	7
61	.073	.055	.02451	5
62	.073	.055	.02660	3
63	.073	.055	.02886	4
64	.073	.055	.03131	1