

NAFE ASSA Pre-Conference Session

Mark your calendar for NAFE's inaugural ASSA pre-conference session to be held January 2, 2015 from 4:30pm to 6:30pm in a private room at the Champions Sports Bar in the Boston Marriott Copley Place Hotel. While "there ain't no such thing as free lunch," there will be free beer, wine, and *hors d'oeuvres*. While the first hour of the session might not be interesting for spouses, they may wish to attend the later half of the session for fun, conversation, and to make dinner plans.

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February 27-28, 2015
- ◆ International: Amsterdam
May 23, 2015
- ◆ Western: Honolulu
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- ◆ Midwest: Kansas City
October 22-24, 2015
- ◆ Southern: New Orleans
November 21-23, 2015
- ◆ Upcoming NAFE Survey
- ◆ FYI Meetings
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Midwest meetings

What's Your Domain?

NAFE members have the following distribution by the domain listed in the email address they supply to NAFE:

Company name	53%
Web provider	30%
University	16%
International	1%
Government	<1%



"Will you please answer the question, and this time, without the smoke and mirrors?"





President's Letter

Mid-West meeting report

We had two sessions at the Missouri Valley meetings this year instead of the typical one session. Mid-West VP Lane Hudgins reports the sessions were well attended and the discussion was excellent. Next year, the Missouri Valley returns to Kansas City.

Fall elections

During the last week of October, electronic ballots for the next Western and Midwest Vice President slots were sent via email. If you have yet to vote, please do so soon. If you lost your email ballot, contact Nancy@NAFE.net.

Membership renewal

Recently, the format of membership renewal notices has changed. You can renew by telephone, online, or by U.S. mail. You now have the option of getting your copies of the *Journal of Forensic Economics* in "print and online" or "online only." You can also choose to receive your NAFE News online via email instead of print by U.S. mail. For those wanting to Go Green, choose "online only."

JFE Online Pre-Publication

In the next couple of months, articles in the *JFE* will begin to be "pre-published" at the <http://JournalofForensicEconomics.com>. As articles clear the peer review process, they will be formatted and published electronically. When an issue becomes complete, print copies will be mailed. This new procedure ensures that members have the soonest possible access to the latest forensic economic research.

My last President's letter

This edition of NAFE News is my last as NAFE President. I want to thank all of the NAFE Board members for their assistance in keeping NAFE a vibrant and important source of forensic economic information; and, thanks to all NAFE members for their financial and participatory support of NAFE's mission. I especially want to thank Nancy Eldredge for all of the conscientious and enthusiastic work she performs for NAFE. See you in Boston!

Kurt Krueger

Krueger@JohnWardEconomics.com

President

Kurt V. Krueger

John Ward Economics

Past President

Steven J. Shapiro

New York Institute of Technology

President-elect

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Lane Hudgins Analysis

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Nancy L. Eldredge

JOURNAL OF FORENSIC ECONOMICS

Volume 25, Issue 1

April 2014

25TH ANNIVERSARY ISSUE

Editors' Note

James E. Ciecka, Kurt V. Krueger, and Steven J. Shapiro

Announcing 2014 Recipients of the Ward-Piette Research

Prize in Forensic Economics

The *Journal of Forensic Economics*: Revisiting its Perspective and
Agenda for Research

John O. Ward

ARTICLES

Structural Growth in Labor Costs: Evidence from the Employment
Cost Index

Gary R. Albrecht and Kurt V. Krueger

Evolving Labor Market Transition Probabilities and Their
Impact on Worklife Estimates

Matthew J. Cushing and David I. Rosenbaum

Total Worklife Expectancy

Kurt V. Krueger and Frank Slesnick

Using TIPS to Discount to Present Value

Raymond Strangways, Bruce L. Rubin and Michael Zugelder

COMMENTS

A Comment on George DeMartino's "Professional Economic Ethics:
The Posnerian and Naïve Perspectives"

Frank D. Tinari

Journal of Forensic Economics

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Founded in 1986

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NAFE News is published four times per year.
Please send comments, suggestions, and news
items to the editor Nancy Eldredge at the ad-
dresses above.

National Meeting — Boston January 3-5, 2015

**ALLIED SOCIAL SCIENCE ASSOCIATIONS
BOSTON – JANUARY 3-5, 2015
Organizers: Larry Spizman and Kevin Cahill**

FRIDAY, JANUARY 2, 2015

WHAT: NAFE Working Cocktail Session from 4:30PM - 6:30PM
WHERE: Champions Sports Bar in Boston Marriott Copley Place
WHY: ASSA Pre-Conference Session sponsored by NAFE

SATURDAY, JANUARY 3, 2015

**HOTEL: *Boston Marriott Copley Place*
ROOM: *Suffolk***

**SESSION I – 10:15AM (First of Four Sessions Sponsored by NAFE)
*Valuing Earning Capacity A Roundtable Discussion***

Session Chair: Kevin E. Cahill, Sloan Center on Aging & Work at Boston College

“Latent Earning Capacity: When Earning Capacity is Not Expected Earnings,” Steph Horner, Economic Consulting and Frank Slesnick, Bellarmine University

“Valuing Earning Capacity: Application of Methodology,” Gary Skoog, Legal Econometrics Inc.

“Valuing Earning Capacity: The Pennsylvania Case Law Perspective and with Consideration of Part-Time Work,” James Rodgers, Pennsylvania State University

“Demystifying Earnings Capacity and Expected Earnings: A Pennsylvania Perspective,” Robert Thornton, Lehigh University

**SESSION II – 2:30PM (Second of Four Sessions Sponsored by NAFE)
*Adjustments and Discounts in Forensic Economics***

Session Chair: Ed Foster, University of Minnesota

“Current-Rate Method of Loss Estimation in Personal Injury Cases,” Scott Gilbert, Southern Illinois University Carbondale

“Medical Net Discount Rates: Updated and Re-examined,” Robert Baumann, College of the Holy Cross and David Schap, College of the Holy Cross

“Pricing Discounts in Forensic Economics,” Kurt Krueger, John Ward Economics and Gary Albrecht, Albrecht Economics

Session Discussants:

David Rosenbaum, University of Nebraska-Lincoln; Constantine M. Boukidis, Vavoulis, Weiner & McNulty, LLC; and Kevin Cahill, Sloan Center on Aging & Work at Boston College

**SESSION IIA – 5:00PM NAFE Annual Membership Meeting
Suffolk Room @ Boston Marriott Copley Place**

**SESSION IIB – 6:00PM NAFE Reception
Harvard Room @ Boston Marriott Copley Place**

National Meeting — Boston January 3-5, 2015

SUNDAY, JANUARY 4

HOTEL: *Boston Marriott Copley Place*

ROOM: *Suffolk*

SESSION III – 8:00AM (Third of Four Sessions Sponsored by NAFE)

Topics in Forensic Economics I

Session Chair: Lane Hudgins, Lane Hudgins Analysis

“A History of the National Association of Forensic Economics Updated, 2001 through 2014,” Marc Weinstein, Team Economics, LLC and Jim Rodgers, Pennsylvania State University

“Calculating Lost Earnings: Algebraic vs Spreadsheet Methods,” Frank Tinari, Sobel-Tinari Economics Group, LLC

“The Rule of 70 at Trial as a Reference Point,” Larry Spizman, SUNY-Oswego

Session Discussants:

Steve Shapiro, New York Institute of Technology; Rick Gaskins, Gaskins Associates, PC; and Christopher Young, Sobel-Tinari Economics Group, LLC

SESSION IV – 10:15AM (Fourth of Four Sessions Sponsored by NAFE)

Topics in Forensic Economics II

Session Chair: Larry Spizman, SUNY-Oswego

“The Impact of a Randomly-Assigned TPM Initiative on Retirement Decisions,” Kevin E. Cahill, Sloan Center on Aging & Work at Boston College

“The Recursive Method of Estimating Commercial Damages,” Patrick Anderson, Anderson Economic Group

“Adjusting Damages in Employment Cases for Federal and State Income Taxes and Social Security and Medicare Taxes,” Thomas Roney, Thomas Roney LLC

Session Discussants:

Victor Matheson, College of the Holy Cross; Michael Nieswiadomy, University of North Texas; and Craig Allen, Commonwealth Research Group



NAFE has joined the digital social networking world. As additional member benefits, there are now National Association of Forensic Economics groups on Facebook, LinkedIn and Twitter.

The LinkedIn group is being managed by Steve Shapiro. NAFE members who are also members of LinkedIn can join the NAFE Group in LinkedIn by signing in to LinkedIn, conduct a group search for the National Association of Forensic Economics Group and click on the “join Group” icon.

Marc Weinstein is managing the NAFE Group in Facebook and NAFE’s Twitter. NAFE members who participate in Facebook should also search for the National Association of Forensic Economics Group and request to join. Since this is a closed, yet unmonitored group, only current members of NAFE will be accepted as members of the group. If you use Twitter, regardless of whether you are a member, you can follow the NAFE Twitter feed @NAFEInfo or click this link <http://twitter.com/NAFEInfo>. The Twitter feed will include NAFE announcements and photos during regional meetings.



NAFE Winter Meeting — San Juan, PR January 30-31, 2015

SIXTEENTH ANNUAL NAFE WINTER MEETING SAN JUAN, PUERTO RICO JANUARY 30 AND 31, 2015

Organizer: Art Eubank

Deadline for Hotel Room & Registration Fees: November 25, 2014

Art Eubank is organizing the 16th Annual NAFE Winter Meeting which will be in San Juan, Puerto Rico on Friday and Saturday, January 30 and 31, 2015. The conference will take place at the InterContinental San Juan Hotel. Paper Presenters, Discussants, Session Chairs, and Roundtable/Panel Discussion Proposals are being sought for four sessions, two on Friday morning, January 30, 2015 and two on Saturday morning, January 31, 2015. Please submit abstracts of papers, roundtable session proposals, and offers to serve as a Session Chair, Discussant, or Roundtable Organizer to Art Eubank by December 15, 2014. Art's contact information is:

Arthur A. Eubank, Jr., Eubank Economics, Inc.
8 S. Michigan Ave., Suite 1510, Chicago, Illinois 60603
312-372-0600 (Office); 312-372-0606 (Fax); 847-567-0370 (Mobile)
art@eubankeconomics.com

For all room reservations, please contact Sandy Berardis by calling her at 814-861-4660, x8262. Sandy's email address is: sandy.berardis@kishtravel.com, and her mailing address is: Sandy Berardis, Kish Travel, 2610 Green Tech Drive, State College, PA 16803. The registration fee for NAFE members attending the conference is \$115.00 if hotel reservations are made through Sandy as part of the NAFE group; the registration fee is \$205 if the hotel reservation is not made through Sandy as part of the NAFE group. This fee will be used to cover the cost of the morning break in the meeting room, service fees, charges associated with the meeting room, and cost of a screen and flip chart. There is no registration fee for spouses or others traveling with a NAFE member.

The per night cost of a "Run-of-the-House" double room at the conference hotel is \$229.00 before Taxes and Fees with a complimentary upgrade to an Ocean View Room and approximately \$305.00 including Taxes, Resort Service Charges, and other Miscellaneous Fees (Taxes and Resort Fees total approximately 35% of the room rate). Included in the room rate will be complimentary access to the Executive Lounge and complimentary wireless Internet access (the various room options are offered on a first-come, first-served basis). These room rates are available for the nights of Thursday, January 29 through Saturday, January 31, and, subject to availability, for the three nights before January 29, 2015 and for the three nights after January 31, 2015.

Attendees should please make their hotel reservations through Sandy Berardis by calling her at 814-861-4660, x8262, rather than on their own, as the room rates we have negotiated with the hotel and the conference room arrangements are based on a contracted guarantee of a minimum number of room nights being booked at the group rate. If you wish, Sandy can also make your airline and car rental reservations as well. Hotel room charges and the registration fee must be paid in full by November 25, 2014. After this date, rooms may be booked on a space-available basis.

If you have any questions, please feel free to contact me. We're looking forward to a great conference in an interesting, historic venue, and we hope you will plan to attend!!

Eastern Meeting — New York City February 27-28, 2015

EASTERN ECONOMIC ASSOCIATION

NEW YORK—FEB 27-28, 2015

Organizer: Craig A. Allen, Vice President, Eastern Region

CALL FOR PAPERS

The 2015 Eastern meeting will return to the Big Apple, for the first time since 2011. The sessions will be held at the Sheraton New York Times Square Hotel in New York City, Feb. 27 and Feb. 28, 2015. Four NAFE sessions are planned, with the first one late Friday afternoon, Feb. 27 followed by a social gathering, and the rest on Saturday, Feb. 28. Anyone wishing to present a paper or serve as a discussant or session chair should contact **Craig Allen (Eastern Region NAFE VP)** at c.allen.fcas@gmail.com.

Suggested topics for a panel discussion on Saturday afternoon are most welcome as well. More information concerning the Eastern Economics Association and the conference may be found at: <http://www.quinnipiac.edu/eea/41st>

International Meeting — Amsterdam May 23, 2015

TWELTH ANNUAL INTERNATIONAL CONFERENCE OF THE NATIONAL ASSOCIATION OF FORENSIC ECONOMICS May 23, 2015

The 12th annual NAFE International Meeting will be held May 23, 2015 in Amsterdam, Netherlands, Crowne Plaza Amsterdam Hotel. If interested in attending, e-mail Jack Ward at wardjo@umkc.edu for details.

Western Meeting — Honolulu June 28 to July 2, 2015

WESTERN ECONOMIC ASSOCIATION INTERNATIONAL 90th Annual Conference June 28 – July 2, 2015 – Honolulu, HI Sessions Organizer: Michael L. Nieswiadomy, Vice President, Western Region

Please join us for the 90th annual conference of the WEAI at the Hilton Hawaiian Village <http://www.hiltonhawaiianvillage.com/> in Honolulu. We are tentatively planning (subject to WEAI approval of the dates) to have three sessions on Monday, June 29, 2015 and three sessions on Tuesday, June 30, 2015. We tentatively plan to have an informal NAFE membership meeting on Monday. The NAFE reception is tentatively planned for Monday evening.

All attendees must pay the conference registration fee. Since NAFE is a participating Allied Society of the WEAI, NAFE members are allowed to register at the discounted WEAI member rate. Please check www.weai.org for conference and hotel registration information when it becomes available. If you have any questions or would like to be a presenter, discussant, or session chair, please contact (before January 15, 2015) Michael Nieswiadomy at miken@unt.edu. We are required to submit session information to WEA by Feb. 1, 2015. We look forward to seeing you in Honolulu.

Midwest Meeting — Kansas City October 22-24, 2015

MISSOURI VALLEY ECONOMIC ASSOCIATION 52ND ANNUAL MEETING – OCTOBER 22-24, 2015 – KANSAS CITY, MO Organizer: Lane Hudgins, Vice President, Midwest Region

Southern Meeting — New Orleans November 21-23, 2015

SOUTHERN ECONOMIC ASSOCIATION NEW ORLEANS – NOVEMBER 21-23, 2015 Organizer: Frank Adams, Vice President, Southern Region

CALL FOR PAPERS

The next NAFE sessions at the Southern Economic Association annual meetings are scheduled for November 21-23, 2015 in New Orleans. Look for announcements in upcoming newsletters for more details.

Frank Adams – fadams@kennesaw.edu and afrankadams@gmail.com

UPCOMING 2015 Survey of NAFE Members

In January 2015, Drs. Brookshire, Luthy, Rosenbaum, Schap, and Slesnick will be collecting data for their latest survey of NAFE members' methods and practices. As you may know, these surveys have been conducted periodically since 1989.

As was true of the surveys in 2006, 2009, and 2012, this survey will be administered online. On or about Wednesday, January 14, 2015, each member will be sent an e-mail message that will include an Internet link. Clicking on that link will take you to a website where the survey may be completed.

When you receive the e-mail in January, please take the 15-30 minutes necessary to complete the survey. We hope to continue our excellent response rate. The same disclaimer about scientific validity which appeared in previous studies will appear in any paper or article based on the 2015 responses. If you have any questions, feel free to contact us. Thank you.

Mike Brookshire
Mike Luthy
Dave Rosenbaum
David Schap
Frank Slesnick

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drosenba@unlnotes.unl.edu
dschap@holycross.edu
fslesnick@bellarmine.edu

FYI Meetings

AAEFE 27TH Annual Meeting LAS VEGAS — March 12-13 , 2015

American Academy of Economic and Financial Experts will be meeting again at the Mirage in Las Vegas on March 12-13, 2015. Conference fees remain the same and the room rates have gone down in price.

The keynote speaker will be Dr. Elizabeth Arias of the CDC. A complete outline of her presentation can be found at:

<http://aaefe.org/annual-meeting>

Updates as they become available can be found at <http://www.AAEFE.org/>
or contact Larry Havard LarryH@havard.com Telephone (616) 458-9333

AREA 2015 Annual Conference RENO — June 4-7, 2015

SAVE THE DATE!

2015 AREA Conference will be held June 4-7, 2015 at the Silver Legacy Resort Casino in Reno, Nevada.

NAFE Member News

DO YOU HAVE NEWS? PLEASE LET US KNOW IF YOU HAVE:

Received a promotion

Changed employment

Opened a new office; Hired new staff

Had a non-JFE article published relevant to forensics

Came across an interesting news item relevant to forensics

**OR ANY OTHER NEWSWORTHY ITEM AND WE WILL PUBLISH IT HERE IN THE NEWSLETTER
SEND YOUR NEWS TO Nancy@NAFE.net**

Photos from the Missouri Valley NAFE Sessions



Short Paper

Mean and Median Maturities on the U.S. Treasury Yield Curve, by Kurt V. Krueger

When reviewing yield curve data, an interesting question is “what maturity date produces the mean and median values for the yield curve?” Since the yield curve is usually monotonic, we expect that the median yield curve rate would usually fall with 15-year maturities. The maturity date of the mean value of the yield curve will depend on the shape and slope of the yield curve.

The U.S. Treasury publishes a daily yield curve data for Treasury securities with maturities at 1 month, 6 months, and 1, 2, 3, 5, 7, 10, 20, and 30 years. The Treasury estimates its daily yield curve with a cubic spline model. Inputs to the Treasury model are primarily bid-side yields for on-the-run Treasury securities. While the Treasury does not provide the computer formulation of its cubic spline yield curve derivation program, they state on their methodology Internet page that “we have found that most researchers have been able to reasonably match our results using alternative cubic spline formulas.”

From the Treasury website, I downloaded the daily yield curve rates for from October, 1993 to September, 2014. I deleted any dates where the full yield curve was not published. I estimated the complete yield curve across maturities of 1 to 30 years using the standard Nelson-Siegel cubic spline yield curve model. In Figure 1, I show the published Treasury yield data for September 19, 2014 for 1, 2, 3, 5, 7, 10, 20, and 30-year maturities along with the full yield curve estimated using the Nelson-Siegel cubic spline. The Nelson-Siegel cubic spline nearly exactly hits each Treasury published yield. The median yield on the 30-year curve of September 19, 2014 was 2.93% and the mean yield was 2.58%. The median yield fell between 15 and 16-year yields and the mean yield fell between 9 and 10-year yields.

Extending the yield curve estimation across 4,238 yield curve dates from October, 1993 to September, 2014, I found that the median yield curve value occurred 89% of the time between 15 and 16-year maturities, 5% of the time between 16 and 17-year maturities, and 4% of the time between 17 and 18-year maturities. The mean values of the yield curve were distributed by maturity year as:

Year	8	9	10	11	12	13	14	15	16
Rate	1.5%	7.5%	17.9%	28.2%	20.1%	12.3%	5.1%	2.8%	1.5%

The mean value had its highest frequency between maturities of 11 and 12-years (28.2%). The mean yield was contained within 9 to 14 year maturities 86% of the time.

The mean value of the yield curve does not mathematically equate to the interest rate which would be produced by a fixed dollar annuity investment across the 30-year investment horizon. For example, going back to the yield curve for September 19, 2014. On that date, the mean yield was 2.58% which fell between 9 and 10-year maturities. If one dollar of principal at each future year 1 to 30 were discounted to present value using the yields at those maturity dates, the present value would be \$19.94. The constant interest rate which produces a \$19.94 present value of \$1 per year for 30 years is 2.87% which fell at maturity year 14 on September 19, 2014. The present values calculated using the yield curve data and associated calculated matching average annuity yield are shown in Figure 2. The yield curve present value amount and the constant rate annuity yield present value amount equal each other at year 14. With the September 19, 2014 yield curve shape, the Treasury security investor has a shortage under the annuity rate until year 14 and a surplus after year 14.

For each historical yield curve date, I computed the present value of a \$1 per year annuity under the 30-year yield curve. I then found the constant interest rate which would produce that present value and located that interest rate on the yield curve by maturity date. The histogram of those mean-yield-curve and annuity-yield-curve maturity dates are shown in Figure 3. While the average value on the yield curve typically falls around years 9 to 13, the necessary annuity yield rate for 30 years falls later between 12 and 16-year maturities.

From this data exercise, a rule-of-thumb is suggested that the median interest rate on the yield curve more adequately solves for the present value of 30-year annuities that does the average rate. With a monotonic and upward sloping yield curve, the median value would fall around 15-year maturities. Without estimating the entire yield curve, the average of the Treasury published 10 and 20-year yields may adequately estimate the median yield curve rate. Obviously, the rule-of-thumb weakens if the shape of the yield curve at the time studied substantively deviates from its average shape from 1993 to 2014.

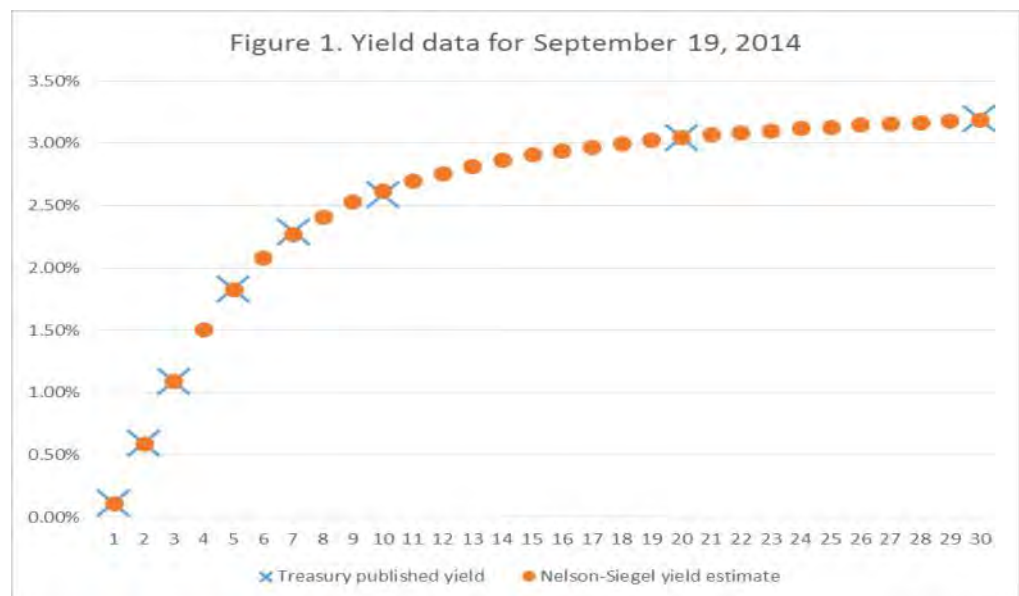


Figure 2. Present Value of \$1.00 by Year

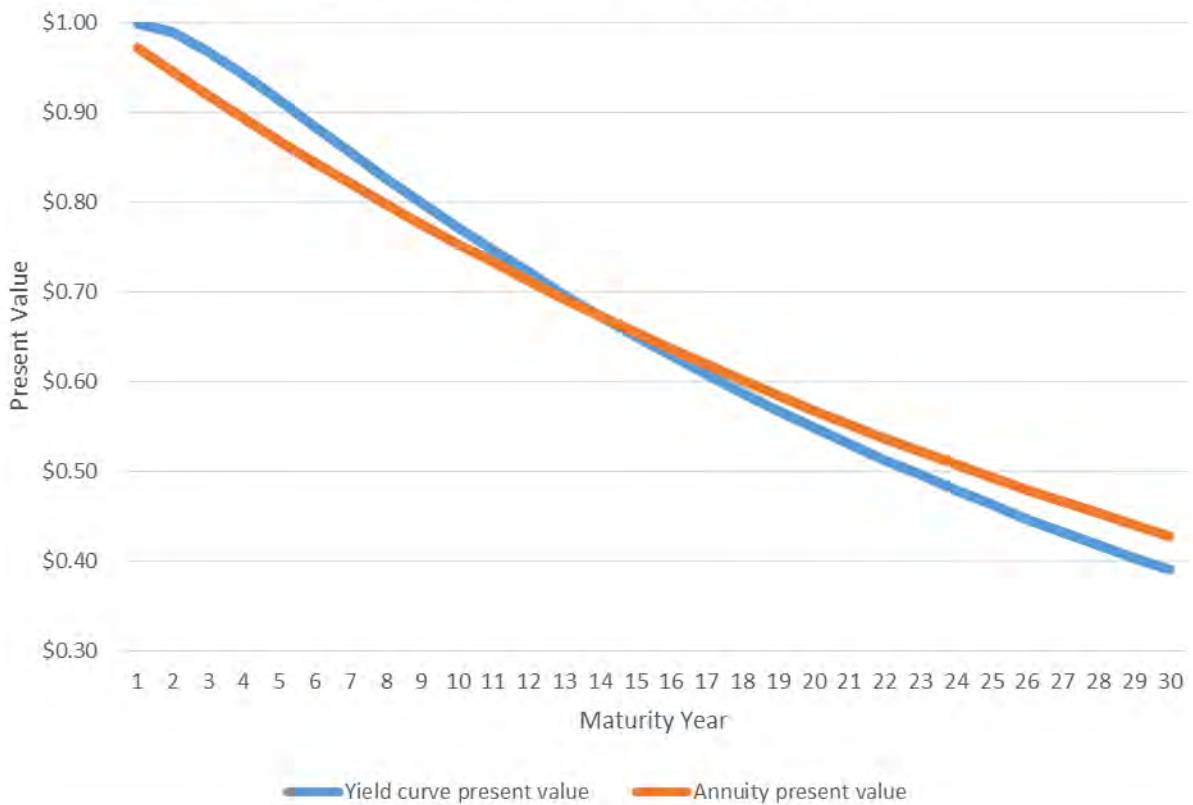
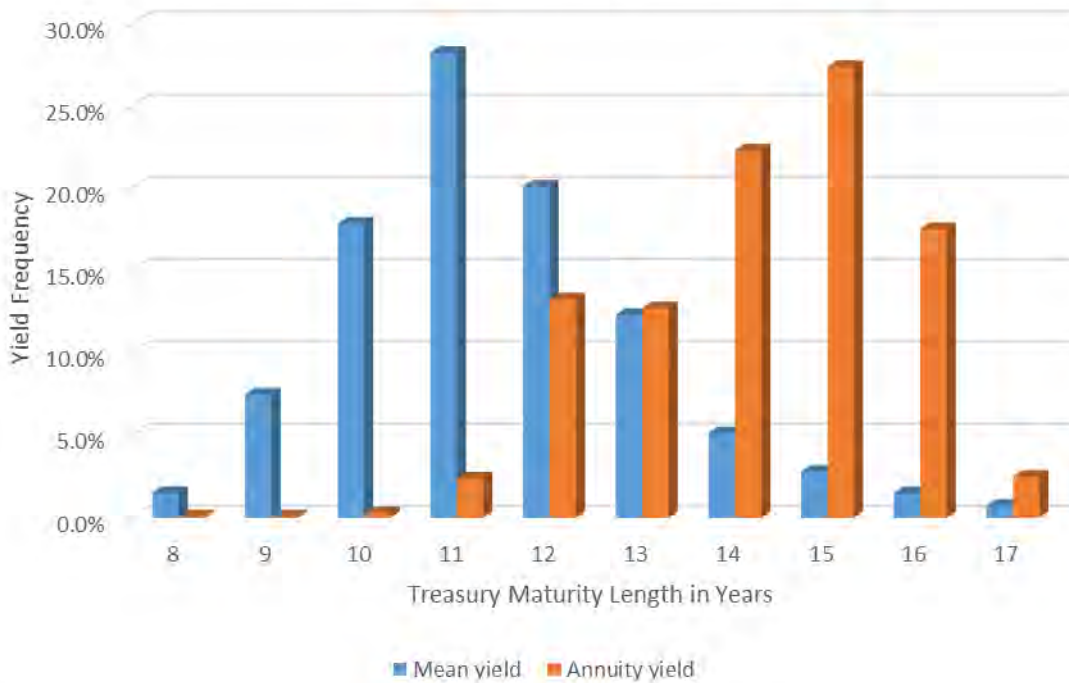


Figure 3. Frequency of Mean and Annuity Treasury Yield Maturities October 1993 to September 2014.





Journal of Forensic Economics

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NOVEMBER 2014 NEWS

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NAFE EVENTS
MARK YOUR CALENDARS
(Details on meetings inside)

2015

ASSA

BOSTON—JANUARY 3-5, 2015

NAFE WINTER MEETING

SAN JUAN, PR—JANUARY 30-31, 2015

EASTERN ECONOMIC ASSOCIATION

NEW YORK CITY—FEB 27-28, 2015

NAFE INTERNATIONAL MEETING

AMSTERDAM—MAY 23, 2015

WESTERN ECONOMIC ASSOCIATION

HONOLULU—JUNE 28-JULY 2, 2015

MISSOURI VALLEY ECONOMIC ASSOCIATION

KANSAS CITY—OCTOBER 22-24, 2015

SOUTHERN ECONOMIC ASSOCIATION

NEW ORLEANS—NOVEMBER 21-23, 2015