

Webinar, Report Highlights Retirement Issues in the U.S., U.K., and Australia

THE AMERICAN ACADEMY OF ACTUARIES and the U.K.-based Institute and Faculty of Actuaries (IFoA) co-hosted a free **webinar on retirement readiness** on Oct. 12 that looked at the United States, the United Kingdom, and Australia.

The webinar, attended by more than 400 registered attendees in the U.S. and U.K., focused on a new report authored by the Academy, the IFoA, and the Actuaries Institute of Australia, *Retirement Readiness: A Comparative Analysis of Australia, the United Kingdom, and the United States*, which shows that people in the three countries struggle with planning for retirement because they often are not equipped to address complex questions related to longevity and asset decumulation.

The presenters—Past Academy President Ken Hohman; Ted Goldman, the Academy’s senior pension fellow; IFoA Policy Manager Rebecca Deegan; and Steve Jackson, the Academy’s assistant director for research, public policy—outlined the report’s key findings based on a survey conducted in the three



countries. Hohman offered background and context, Goldman gave an overview of the U.S. retirement system, and Deegan highlighted the U.K.’s system and challenges. **Slides and audio** are available to members free of charge.

“Any solution can’t ignore the status quo, and we need to reflect the existing framework in each country’s retirement

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Pension Breakout Sessions Set for Annual Meeting and Public Policy Forum

Pension breakout sessions are set for next month’s **Annual Meeting and Public Policy Forum**, to be held Nov. 14–15 in Washington, D.C. Regular registration for the meeting ends Friday, Oct. 20; prices will increase after this date.

The sessions are:

- **Multiemployer Pension Plans: Is There a Runaway Ramp Before the Cliff?** In addition to multiemployer plans, many of which are unlikely to be able to fully deliver the pensions they have promised, the Pension Benefit Guaranty Corporation is likewise projected to fall short on

its commitment to serve as a backstop to these troubled plans. This session will focus on various mitigation approaches that are currently under consideration. Gideon Bragin with the Office of Sen. Sherrod Brown (D-Ohio), and Michael Scott of the National Coordinating Committee for Multiemployer Plans, will be the speakers.

- **Public Pension Plans: The Pothole-Filled Road to Retirement Security?** Underfunded public pension plans and the increased share of government budgets they consume have generated plenty of headlines, but how deep and pervasive are the problems? This session will focus on the sustainability of state and municipal retire-

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ENROLLED ACTUARIES REPORT

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Committee Releases Issue Brief on Social Security Trustees Report

THE SOCIAL SECURITY COMMITTEE released an **issue brief**, *An Actuarial Perspective on the 2017 Social Security Trustees Report*, on Social Security's financial condition and long-term sustainability following the federal government's release of the annual Social Security Trustees Report. The Academy also updated its **Essential Elements** report on the program.

The combined Social Security trust fund reserves are projected to become depleted during 2034, the same year as projected in last year's report. If changes are not implemented by that date, only about 77 percent of scheduled benefits would be payable after 2034, declining to 73 percent in 2091. However, the Social Security Disability Insurance (DI) trust fund will exhaust its reserves in

2028, five years later than in last year's projection.

Disability experience was well below what was expected. As the Trustees Report shows, the projected depletion date for the DI trust fund is extremely sensitive to changes in disability experience, which is the primary reason for the five-year increase in the projected DI trust fund depletion date.

To bring Social Security into actuarial balance for the next 75 years (using the intermediate assumptions), changes equivalent to either an immediate increase of 2.76 percentage points in the payroll tax rate or an immediate decrease of about 17 percent of benefits for all current and future beneficiaries, or some combination thereof, is required, the issue brief stated. ▲

In the News / Media Activities

- Several U.S. and Australian media outlets in covered the Academy's jointly published international **survey on retirement readiness** (see story, p. 1), including *Pensions & Investments*, *SMSF Adviser*, *Super Review*, *Money Management*, *BPM Magazine*, *Asia Insurance Review*, *Middle East Insurance Review*, *Sydney Morning Herald*, *Gippsland Times*, *Rouse Hill Courier*, *Gannawarra Times*, and *Penrith City Gazette*.
- The **Teachers Insurance and Annuity Association** used the widely praised **Actuaries Longevity Illustrator**, developed jointly by the Academy and the Society of Actuaries, for statistics in an infographic on how policymakers can restore the role of lifetime income in workplace retirement plans.
- A subscriber-only *Bloomberg BNA* story regarding the IRS' submission of a rule to the Office of Management and Budget to update mortality tables for most defined benefit pension plans cited Pension Committee Chairperson Ellen Kleinstuber.
- Senior Pension Fellow Ted Goldman and Pension Practice Council Forward Thinking Task Force Chairperson Eric Keener authored a subscriber-only *Benefits Quarterly* article on **Retirement for the AGES**, the Academy's framework for assessing and comparing retirement-income systems.
- *Plan Adviser* and *BenefitsPro* reported on the Pension Committee's comment letter to the ERISA Advisory Council of the Employee Benefits Security Administration regarding employer requirements for supplying Annual Funding Notices for Defined Benefit Plans.
- Josh Shapiro, chairperson of the Multiemployer Plans Subcommittee, was quoted in a *Bloomberg BNA* story on the PBGC's multiemployer insurance program.
- A *PlanSponsor* story cited the Pension Practice Council's issue brief that explores methods to measure the financial health of pension plans.
- An opinion piece published in the *Atlanta Journal-Constitution* discussing Georgia's Teacher Retirement System cited the Academy's analysis that all plans should have the objective of accumulating assets equal to 100 percent of a relevant pension obligation.
- Goldman provided an actuarial perspective on the current and future state of pensions for a report published by *Clear Path Analysis*.

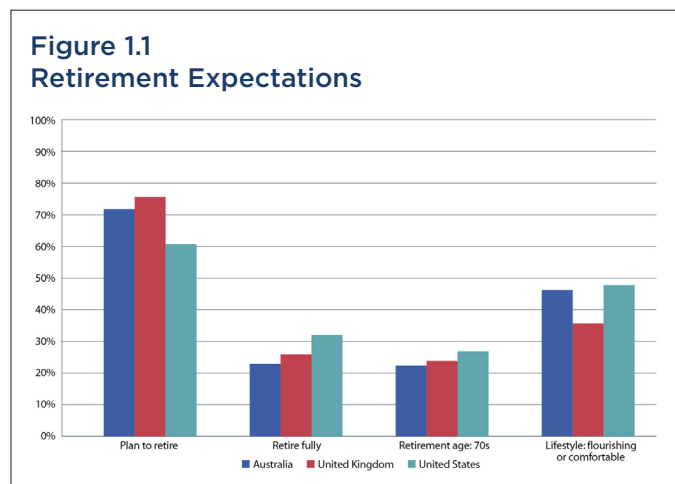
policies,” Hohman said, adding that recent changes in all three countries have improved retirement preparation. “The bottom line is that progress in retirement readiness is possible ... and we hope this report is going to stir some action among policymakers in our three countries,” he said, adding that “perhaps most troubling, developing and following a good plan for the decumulation phase of retirement has proven to be extremely evasive.”

‘Paradigm Shift’

The genesis of the three-country report started about four years ago, when Hohman was serving as the Academy’s international secretary. In that role, he was meeting with his counterpart from Australia, discussing the Academy’s work in the context of a “paradigm shift” in retirement plans to defined contribution (DC) from defined benefit (DB) plans in the United States. He was meeting concurrently with the IFoA, at around the same time the British government announced it would eliminate the requirement that DC plan balances would be at least partially annuitized, a decision that led to widespread media coverage and public scrutiny in the U.K.

All of this led to the 2015 joint report, *The Challenge of Longevity Risk: Making Retirement Income Last a Lifetime*, on retirement planning in the three countries.

As the retirement readiness report says, “The transformed retirement environment is evident in respondents’ expectations for their retirement, starting with a third of all respondents who do not plan to retire at all.” Figure 1.1 (reprinted below) offers a glimpse at the three countries’ overall retirement expectations; for more analysis and complete definitions of the report’s various categories, please [see the report](#).



Hohman provided a brief outline of Australia’s heavily means-tested social safety net for the elderly that’s funded through general tax revenue, which is paired with a mandatory employer-provided retirement benefit referred to as the superannuation guarantee that started at a 3 percent guarantee in 1992 and is now at 9.5 percent and scheduled to increase to 12 percent by 2025.

About half the U.S. population does not have access to employer retirement savings plans.

Deegan gave an overview of the U.K.’s retirement system. In the transition from DB to DC plans, an estimated 85 percent of DB plans were closed to new members as of 2016, in contrast to the number of DC plan savers, which is rising rapidly she said, estimating that by 2020 an additional 10 million people will be saving in DC systems due to automatic enrollment.

The current U.K. minimum contribution rate for auto-enrollment is 2 percent, with plans to increase that to 8 percent by April 2019. Other fundamental reforms include last year’s new state pension revision, which is single-tiered—previously it was two-tiered—to provide simpler, flat-rate support with a basic level of means testing.

The U.S., by contrast, largely does not have mandatory enrollment in retirement plans, Goldman said, though automatic features such as auto-enrollment, auto-escalation, and target date funds are gaining in prevalence, in efforts to get retirement savings rates higher. About half the population, however, does not have access to employer retirement savings plans, while data show that those who do have such access have much higher savings rates than those who don’t.

Survey Findings

The report’s survey offered 16 multiple-choice retirement readiness questions, and demographic questions. For retirement policy decisions, Goldman said that a “one-size-fits-all” system would likely have drawbacks.

“I think we can design programs in a way that will make it a lot easier for people to start from a position that makes sense for them,” he said, with the ability for people to alter those parameters for their own circumstances with better information.

- The report’s survey conclusions from the 3,000 people in the three countries included:
- All three countries show some lack of retirement readiness;
- Middle-aged and middle-income respondents feel less prepared;
- Low expectations and preparation exist across all three countries;
- Most people plan to retire gradually, not fully, and few expect a “comfortable” lifestyle in retirement;
- The best results relate to saving, acquiring information, and planning to return to work; and
- The largest deficiency is in knowing how much is needed, how long retirement funds will last, and preparing for risks. ▲

2017 Annual Meeting & Public Policy Forum

“This is a meeting that’s really focused on public policy issues. If you’re interested in discussing issues...[or] designing a secure retirement system for the future, then this is the meeting to come to.”

- Bill Hallmark, Vice President, Pension



ment programs. Speakers will share their perspectives on how pension plans are evolving in response to growing pension costs and risks, and on how to maintain a sustainable plan while managing the competing priorities of running a state or local government. Thomas Aaron of Moody's, Keith Brainard of the National Association of State Retirement Administrators, and Don Boyd of the Rockefeller Foundation will be the speakers. Bill Hallmark the Academy's vice president, pension, will moderate.

- **National Retirement Policy Objectives: Are We on the Same Page?** American taxpayers spend significant resources supporting retirees and encouraging working Americans to

save for their own retirement, but are we getting what we want? What we need? Social Security is not on a sustainable path, and relying solely on Social Security may not allow retirees to maintain their standard of living. Andrew Biggs of the American Enterprise Institute and Josh Gottbaum of the Brookings Institution will be the speakers. Ted Goldman, the Academy's senior pension fellow, will moderate.

The Academy believes in good faith that you may earn 1.8 continuing professional education credits for “non-core subject matter” under the Joint Board for the Enrollment of Actuaries (JBEA) for each breakout session. [Register today.](#) ▲

Pension Briefing Held on Capitol Hill; Multiemployer Issue Brief Released

THE PENSION PRACTICE Council (PPC) hosted a **Capitol Hill briefing on multiemployer issues** that was attended by more than 80 people. Ahead of the briefing, the PPC released an **issue brief**, *Overview of Multiemployer Pension System Issues*, which provides an objective overview of the fragile state and future security of the multiemployer pension system.

Of the more than 10 million people who participate in multiemployer pension plans, about 1 million are in plans that are currently projected to be unable to pay the

full benefits that have been promised.

The speakers—Bill Hallmark, the Academy's vice president, pension; Josh Shapiro, chairperson of the Multiemployer Plans Subcommittee and nominee to be the Academy's next vice president, pension; Christian Benjaminson, a member of the Multiemployer Plans Subcommittee; and Ted Goldman, senior pension fellow—discussed ideas from the brief about how to address troubled multiemployer plans and strengthen the multiemployer pension system. ▲



Pension Vice President Bill Hallmark (right) presents at the multiemployer plan briefing on Capitol Hill

Issue Brief Addresses Various Methods of Measuring Pension-Plan Health

THE PENSION PRACTICE COUNCIL published an **issue brief**, *Assessing Pension Plan Health: More Than One Right Number Tells the Whole Story*, which explores various methods to measure the financial health of pension plans.

Among its findings are that a single number often cannot comprehensively address an issue as complex as the obligation or funded status of a pension plan; the availability of multiple measurements can lead to a more robust understanding of the situation and more well-reasoned conclusions; the purpose, framework, and underlying assumptions used are critical when interpreting available information; and understanding that there is more than one right number is an essential step toward engaging in critical issues of retirement security.

The issue brief noted that assumptions can vary, and for a given type of valuation (such as a budget or settlement measurement) a question remains as to what assumptions will be used.

Just as two financial advisers could reasonably provide different advice to parents saving for a child's college costs, two

actuaries could separately develop either a budget or settlement valuation for a plan and not agree on the valuation result because they are making different assumptions about future experience, the issue brief noted. ▲



Intersector Group Releases Meeting Notes With PBGC and Treasury, IRS

THE INTERSECTOR GROUP released notes of its meetings with the **Pension Benefit Guaranty Corporation** (PBGC), and the **Treasury Department and the IRS**.

The Intersector Group—with representatives of the Academy, the Society of Actuaries, the Conference of Consulting Actuaries, and the ASPPA College of Pension Actuaries—meets twice a year with repre-

sentatives of the IRS/Treasury Department and with the PBGC to discuss regulatory and other issues affecting pension practice.

The Intersector Group met again with the PBGC and IRS/Treasury this fall. ▲

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