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Contact: Andrew Simonelli
Phone: 202.785.7872
Email: simonelli@actuary.org

Actuaries: Individual Social Security Accounts Should Only Be Considered as a Supplement

WASHINGTON – 20 Sept. 2007 – A new issue brief of the **American Academy of Actuaries Social Insurance Committee** finds that a defined benefit structure is preferable to a defined contribution structure for providing basic benefits under Social Security. However, the committee added that a defined contribution approach, such as individual accounts, could be part of Social Security reform as a supplement to benefits provided under the current defined benefit structure.

The conclusion was based on a defined benefit structure's ability to tailor benefits that meet the needs of beneficiaries in different circumstances and its general risk-sharing attributes, the actuaries wrote in a new issue brief, "Social Security: Evaluating the Structure for Basic Benefits."

"A defined benefit structure is more efficient for providing a floor of retirement and disability protection needed by U.S. workers, especially the most vulnerable members of our society," the Academy's Senior Pension Fellow **Ron Gebhardt** said. "In many cases, conversions of defined benefit pensions plans to defined contribution plans, such as 401(k) plans, have left Social Security as the only remaining source of a guaranteed lifetime income for many workers."

According to the report, under the current defined benefit structure, risks such as premature death or disability and out-living retirement savings are pooled. Benefits are also not affected by poor market returns, so participants need not worry about investment performance. The actuaries also listed positive attributes of a defined contribution system, such as investment of assets by workers and the opportunity to pass accumulated assets to heirs. But the actuaries note that while these goals are worthwhile, they are not necessarily consistent with the primary purpose of Social Security.

For a comparison and analysis of the defined benefit and defined contribution approaches to providing Social Security benefits, "Social Security: Evaluating the Structure for Basic Benefits" is available at www.actuary.org. For more information, contact Andrew Simonelli, media relations manager for the American Academy of Actuaries, at 202.785.7872.

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