



NEWS RELEASE

Immediate Release

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The Actuarial State of the Union

WASHINGTON – 24 Jan. 2011 – As President Obama prepares to deliver the State of the Union address, the **American Academy of Actuaries** is outlining a domestic policy agenda to improve Americans’ financial security and restore the nation’s fiscal health from an actuarial perspective.

“We understand and are concerned about the financial risks and challenges facing Americans,” said **Mary Frances Miller**, the president of the American Academy of Actuaries. “Americans are still deeply affected by the consequences of the financial-sector crisis. Unemployment remains high, workers’ retirement fund balances are down. At the same time, the fiscal challenges facing government at the federal, state and local levels are being pushed to the forefront. Americans are looking to their elected officials to construct bipartisan solutions to these challenges.”

Fiscal security

The nation’s retirement programs should be foremost on the legislative agenda this year. The 2010 Social Security and Medicare trustees’ reports emphasized the need to restore both programs’ financial viability to provide security to future generations of retired Americans. While they face long-term financial challenges, there is an opportunity for implementing solutions to restore their solvency by acting immediately so that reforms take effect gradually rather than at some future date when the problems may require greater near-term impact to beneficiaries. The actuaries are hopeful that the work on these issues in 2010 by the National Commission on Fiscal Responsibility and Reform and other similar efforts will spur a conversation that will lead to congressional action to resolve these solvency and sustainability concerns.

Specifically regarding Social Security, the actuaries continue to recommend to public policymakers that any package of reforms to restore actuarial balance to the program includes, as an important element, an increase in the retirement age. Life expectancy improvements have led to an expansion of the program’s lifetime benefits and system costs, and an increase in the retirement age will help curb this cost growth.

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Retirement security

The actuaries believe that strengthening the fiscal standing of Medicare, Social Security, and all other public retirement programs is a cornerstone of a long-term national retirement policy framework. At the same time, policymakers must focus on the consequences of the increasing challenges of longevity risk, inflation risk and investment risk. As pension plan sponsors have transitioned away from traditional defined benefit plans, retirement risk management responsibilities have shifted from the employer to the individual. This trend requires new public policies to better enable employees and retirees to manage and mitigate these risks. The actuaries are hopeful that the U.S. Labor and Treasury departments' 2010 inquiry on increasing participation in lifetime income options will assist in the development of this new public policy framework.

Health security

The actuaries believe curbing health care spending growth, reducing the number of uninsured, increasing access to affordable health coverage, and improving health care quality are fundamental to providing health security to all Americans. These goals should be at the center of current efforts to implement the new health care reform law and any other potential congressional action. In particular, policymakers need to maintain a focus on efforts to reduce long-term medical care spending growth.

Financial systemic risk management

Although the financial regulatory reform law was enacted in 2010, significant work remains to be done in defining and establishing the regulatory regimes authorized by the statute. The actuaries believe that regulatory systems will better anticipate future systemic risk by incorporating sound risk management principles. Any new regime should employ the appropriate oversight, expertise and accountability necessary to mitigate the effects of risks that could threaten the stability of the nation's financial system.

For more information or to arrange an interview with an actuary, contact Andrew Simonelli, assistant director of communications for the American Academy of Actuaries, at 202.785.7872. For more information on the Academy, please visit: www.actuary.org.

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The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.