



AMERICAN ACADEMY
of ACTUARIES

Immediate Release

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State of the Union 2012: Actuaries Identify Risks, Look to Solutions for a Financially Secure America

WASHINGTON – 24 Jan. 2012 – The nation will watch President Obama’s address on the State of the Union tonight to hear recommendations for some of the most pressing issues facing our country. The **American Academy of Actuaries** has identified key policy priorities needed to restore the nation’s fiscal health and financial security, and hopes the president will place these priorities high on his policy agenda this year. There are mounting risks facing important public programs and private systems critical to the nation’s retirement security and financial strength, and the actuaries urge all policymakers at the joint session of Congress to work together toward viable and sustainable solutions.

“Failure to act to address these significant financial problems makes them more difficult to successfully manage and mitigate,” said **Dave Sandberg**, the president of the American Academy of Actuaries. “The longer we wait to tackle the major, emerging financial challenges facing the country, the more onerous the solutions can become and the narrower the list of policy options. Taking action now, by constructing bipartisan solutions to these issues, will allow for more reasonable and manageable options to be considered and adopted. In this election year, we encourage policymakers and candidates to specify how they will address these financial risks. And the American Academy of Actuaries is working to ensure that policymakers, candidates, and the American electorate have the objective, actuarial information they need to best guide their decision-making processes.”

Priority: Achieve long-term sustainability of the Social Security and Medicare programs

Addressing the financial challenges facing Social Security and Medicare to ensure their long-term solvency and sustainability should be among the highest domestic priorities. The actuaries believe that recent efforts to curb deficits and address the nation’s fiscal challenges have been missed opportunities to restore both programs’ financial viability and provide security to future generations

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of retired Americans. While Medicare and Social Security face long-term financial challenges, by taking effective action this year, policymakers can seize the opportunity and implement solutions that take effect gradually. Waiting to address these issues could result in reforms with greater negative effects on beneficiaries, taxpayers, and in the case of Medicare, health care providers.

Specifically regarding Social Security, the actuaries renew their recommendation to policymakers to restore actuarial balance to the program by including an increase in the retirement age in any reform measure. Life expectancy improvements have increased the program's payout of benefits and system costs. An increase in the retirement age, however, would help stem this cost growth and lead to a more financially sustainable system.

Priority: Achieve retirement security through new retirement framework

Improving the sustainability of Medicare, Social Security, and all other public retirement programs is a necessary cornerstone for a national retirement framework. But policymakers also must address the challenges of longevity risk, inflation risk, investment risk, and their effects on retirement security. As private pension plan sponsors have transitioned away from traditional defined benefit plans, responsibilities for managing these retirement risks have shifted from employers to individuals and families. This trend requires new public policies to better enable employees and retirees to understand and manage these risks. The actuaries will continue to work with policymakers in 2012 to help develop a new public policy framework to increase participation in lifetime income options that will aid Americans in managing these retirement risks.

Actuaries had considerable concerns regarding adverse selection and sustainability with the Community Living Assistance Services and Supports (CLASS) program adopted as part of the Affordable Care Act, and, in 2011 the Department of Health and Human Services indicated that it would not implement the program. A renewed focus on meeting the long-term care needs of an aging population is needed. Providing consumers with greater financing options for long-term care services and supports should also be a part of any new retirement framework.

Priority: Achieve goals of health reform

The American Academy of Actuaries believes 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 central to the implementation of the Affordable Care Act and any other forthcoming congressional action to

reform our health care system. Most significantly, the actuaries will stress the need for policymakers to maintain a focus on efforts to reduce the growth of health care spending.

Priority: Successfully manage financial systemic risk

As policymakers work to modernize the regulation of financial services, both as authorized by the financial regulatory reform law enacted in 2010, and through reforms in international markets, actuaries believe that regulatory systems will better anticipate future systemic risk by incorporating sound risk management principles. The new regulatory regimes 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 Mark Cohen at 202.785.7889, or Andrew Simonelli 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.