The American Academy of Actuaries is an 18,000-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.
Overview of the AGES

- What is Retirement for the AGES?
  - Follow-on to “Retirement 20/20”
  - American Academy of Actuaries initiative
  - A framework for retirement system design

- What are the AGES principles?

- What is our assessment process?
The Spirit of “Retirement 20/20”

- Society of Actuaries initiative launched in 2006
- Design a retirement system from the ground up
  - Questioned whether either DB or DC systems really work
  - Focused on best ideas from around the world
    - What could be; principles - rather than solutions
    - What we need to achieve - not how to achieve it
- Over 4 years and 3 conferences
  - Identified key drivers of successful retirement systems
  - 2010 conference presented models:
    - Retirement systems that embodied these ideas
    - Demonstrated how principles could work
American Academy of Actuaries (Academy) initiative

In 2010, the Academy’s Pension Practice Council decided to:
- Create a “Forward-Thinking Task Force”
- Build on ideas from Retirement 20/20
- Identify guiding principles for a robust retirement system
- Introduce these principles into policy discussions

Focuses on retirement plan design principles

Does not address universal coverage or adequacy

Presumes Social Security system remains in place

“Retirement for the AGES” synthesizes Retirement 20/20 ideas into 4 key categories
The AGES Principles

- **Alignment**
  - Are stakeholder roles, choices and skills aligned with their competencies?

- **Governance**
  - Does structure support sound decisions and actions?

- **Efficiency**
  - Is retirement income maximized, with controlled risk?

- **Sustainability**
  - How are costs allocated? Are shocks survivable?
Alignment

- Key stakeholders
  - Employers
  - Individuals
  - Society (current and future taxpayers)

- Proper alignment of roles and skills
  - Redefine employer role
  - Improve individual decisions
  - Protect society from suboptimal outcomes
Governance

Key building blocks

- Clearly define roles and responsibilities
- Reduce real and potential conflicts of interest
- Recognize and manage competing needs
- Staff appropriately
Efficiency promotes maximizing income at sustainable levels

- Lower plan costs
- Broaden participation
- Minimize leakage
- Pool risk
- Narrow variability
Sustainable systems must address multiple issues:

- Intergenerational equity
- Proper cost allocation
- Market shocks
- Balancing sustainability and adequacy
Assessment

- Task force members read available material and record observations relating to principles and sort observations into categories: meeting principles, falling short and where more information is needed.
- Information goes through two sets of review within task force and again with Pension Practice Council.
- Comparisons made among assessments.
- Final grades for each principle will be assigned as will overall grade.