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# Research Supporting Retirement: The Aging and Retirement Strategic Research Program

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## THE PROFESSION AND THE BIG PICTURE

Research has always been a primary function of the Society of Actuaries (SOA). While many SOA members have participated in research projects supporting retirement and many more have used the results, few may realize the breadth of the overall efforts. This article provides a glimpse into the SOA's efforts to provide research with an objective of improving the retirement system.

In celebration of the 100th issue of *Retirement Section News*, we will review SOA research supporting retirement programs and some important recent developments. It has a variety of

components and they started at different times. Some key elements of the research include:

**Mortality and other experience studies:** These studies date back to the beginning of the Society of Actuaries and maybe to its predecessor organizations. The SOA is the primary source of mortality tables for pension, annuity and life insurance valuation, and it is a source for other types of experience studies as well. Some of the tables are recognized and used by regulatory bodies.

**Technical research, study material and papers supporting retirement actuarial work:** The SOA is one source of such work. The focus of this work is often retirement plans with various types of sponsors. The Retirement Section Research Committee is the primary sponsor of such work and undertakes a variety of projects aimed at retirement practitioners. Studies can come from the practitioner or academic community. The SOA also contracts with researchers for some studies. In addition to such projects, the Retirement Section sponsored a major project and conference on the future of the retirement system—Retirement 20/20. This multiple-year project looked at the big picture of securing retirements in our society and developed models for plans that could better address risk-sharing needs of various stakeholders in the future. It looked at the system from the viewpoint of the multiple stakeholders.

**Post-Retirement Needs and Risks Committee research:** This SOA research starts with a focus on the individual and



includes public-attitude research, both surveys and focus groups, public education, calls for essays and papers, retirement-income-focused research, and other studies. This work started about 20 years ago and has been managed by the Committee on Post-Retirement Needs and Risks (CPRNR). These activities are usually conducted by multidisciplinary teams and the research oversight groups include representation from actuaries plus a number of other professional groups such as economists, demographers, plan sponsors, financial advisers, large investment firms, and the not-for-profit community. Some projects are joint with the retirement section research committee, universities, and other organizations with a shared interest in research or communication with the public and other audiences about retirement.

**Data-driven research:** About 10 years ago, the SOA established a staff position for a research actuary to do statistical and quantitative research on the U.S. pension system. An additional actuary was then added to do similar work for Canada. These actuaries focus on issues important to the entire system and assist the profession in providing input into policy issues. This group also produces a large number of fact sheets and maintains a variety of statistics. Recently, there has been a heavy focus on multiemployer plans.

**The Aging and Retirement Strategic Research Program:** In October 2018, the Society of Actuaries launched the Aging and Retirement Strategic Research Program. This program brought together these diverse research efforts plus long-term care research into a more unified program. The program had its first anniversary in October 2019. This article provides an update on the program and SOA's aging and retirement research efforts through late 2019, together with a look at some of what is in progress.

### THE EXPECTED OR THE UNEXPECTED?

The research reports and consumer education from the groups participating in this effort include material to help support retirement systems and practicing actuaries working with retirement plans.

But some of the work is focused on the individual. The underlying goal for much of this work is identifying individual retirement challenges and applying actuarial knowledge of the retirement system to individual situations. This is an opportunity for actuaries working with others to try to have an impact on the world. For many people, this work may not be what they would expect from the actuarial profession. One of the research categories described in this article is consumer education and societal issues. There is further discussion of these projects after the listing of projects.

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### THE AGING AND RETIREMENT STRATEGIC RESEARCH PROGRAM

Many countries are aging today in ways never experienced before in history. This is the result of longer life spans, fertility patterns, advances in medical treatments allowing longer lives, and other factors. These factors affect many of the systems that actuaries support and influence employment, retirement, long-term care, and health care systems as well as the total economy in many countries. While many of the research endeavors of the SOA have been targeted to specific elements of retirement programs, the new program enables a broader look at aging in total with more coordination required across multiple disciplines, resulting in more ambitious projects and better visibility for the projects.

**The program goals:** The Aging and Retirement Strategic Research Program addresses a variety of issues related to aging and provides information of use to the public, to actuaries, to policy makers, and other professionals supporting financial security systems. The overall goal of the program is to apply the extensive research of the Society of Actuaries to improve how individuals experience retirement and the financial security programs they rely on.

**Who we are:** The program brings together a number of Society of Actuaries research and consumer education efforts encompassing postretirement risks, retirement plans, long-term care, experience studies and data-based research. Projects are developed and executed by a combination of SOA staff, volunteers, contracted researchers and partnerships with other organizations. The volunteers come from a variety of professions including actuarial science, demography, employee benefit management, economics and law. A steering committee oversees the entire effort.

**What we do and how we do it:** The projects of the program include public-attitude research, mortality and experience studies, technical studies to support plan sponsors, studies to support individuals and consumer education. The steering committee selects broad topics to be addressed and may issue an RFP seeking qualified researchers, or it may recruit a group to oversee a project tasked with formulating the topic more specifically and recommending an approach that best addresses the overall desired goals. All projects, once formally commenced, have a project oversight group overseeing the work. These groups typically

include both actuaries and other subject matter experts to provide a broad perspective on the work. Projects can be executed by a group of volunteers, by contracted researchers, or by SOA staff. This depends on the type and scope of the project. Some projects may also be cosponsored with a partnering organization.

### WHAT HAS BEEN COMPLETED DURING THE PROGRAM'S FIRST YEAR

The first year of the Aging and Retirement Strategic Research Program started with a new study at launch, described later in this article, the completion of a number of projects that were already in process, and the start of some new ones.

#### THE LAUNCH PROJECT AND RELATED WORK

The program was launched with an innovative study that examined how different generations view retirement and other financial priorities. While the SOA had previously studied retirees and those nearing retirement, this was the first project focusing on the generations. The generations studied were Millennials, Gen Xers, Boomers and part of the Silent Generation. A major finding of the research was Millennials indicate substantial retirement concerns compared to other generations. Further, these concerns make Millennials more likely to feel overwhelmed by their financial situation. As part of the study, several targeted reports were produced focused on aspects of the overall findings.

The results can be found in these reports:

- Overall report of findings:
  - *Financial Perspectives on Aging and Retirement Across the Generations*
- Targeted reports on specific issues:
  - *Difficulty in Gaining Financial Security for Millennials*
  - *Financial Priorities, Behaviors and Influence on Retirement*
  - *Family Obligations Across Generations*
  - *Financial Risk Concerns and Management Across Generations*
  - *Financial Fragility Across the Generations*
  - *Relationship of Marital Status to Financial Priorities of Five Generations of Americans*

The study received considerable media attention with findings noted in *Forbes*, *Money* magazine, *USA Today* and *Barron's* among other outlets.

#### PROJECTS COMPLETED AS OF NOVEMBER 2019

- Public-attitude research
  - Generations survey—study of financial priorities across the generations
  - Asia retirement study—joint study with LIMRA
- Technical studies of retirement plans and related issues
  - Annuity Market Pricing Approaches
  - Contribution Analysis: Single Employer Plans
  - Contribution Analysis for Multiemployer Plans
  - Quantitative Evaluation Framework for Retirement Plans
  - Liability-Driven Investment: Benchmark Model
  - Patterns of Going Concern Discount Rates
  - Employer Withdrawal for Multiemployer Plans
  - Series of Key Financial Stats for Multiemployer Plans
  - Stress Metrics for Multiemployer Plans
  - U.S. Public Pension Plan Contribution Analysis
  - A Tale of Two Pension Plans: Measuring Pension Plan Risk from an Economic Capital Perspective
- Mortality and morbidity studies
  - Public/Private Pension Plan Mortality Studies—Mortality Improvement Scale MP-2018 and MP-2019
  - PBGC Retirement Plans Mortality Study
  - Long-Term Care Insurance Incidence Rates
- Resources on Consumer Education and Societal Issues
  - A Conversation on Cognitive Decline
  - Family Structure Essay Collection
  - Insights into Spending & Asset Management in Retirement
  - Highlighting Post-Retirement Risk Research—Report 5 (Age 85+)
  - Long-Term Care Decision Brief
  - Retirement Tools Guide
  - The Sightlines Project on Longevity
  - Retirement Income Analyses: Viability of the Spend Safely in Retirement Strategy
  - Update Actuaries Longevity Illustrator
- Fast Facts
  - A series of fact sheets providing a quick summary of past and current research. Fifteen were completed in the first year of the program and more are being written.



#### WHAT IS IN PROCESS

- Consumer education
  - Health Care Decision Brief Update
  - Life Planning—Risk Chart Update—this is the fourth edition of the risk chart.
  - Decision Guide for Late-in-Life Decisions—this is an entirely new project and we’re doing this in partnership with Financial Finesse. It will probably not be completed until later in 2020.
- Essays and papers
  - Call for essays on products and tools—essay due date was mid-November 2019. The essays should be reviewed, prize winners selected, and the essay collection published by the middle of 2020.
  - Highlighting Post-Retirement Risk Research—Report 6 (family)—the content of this report has been completed, and it is in production.
- Research reports
  - Latin American Retirement Risk Study—this is a joint project with LIMRA. It is targeted for completion before year-end.
  - De-Risking Strategies of DB Pensions: Empirical Evidence from the U.S.—this is a project of the Retirement Section Research Group.
  - The CPP Take-Up Decision: Comprehensive, Evidence-based Guidance for Real Canadians.
    - Understanding the Impact of the Low-Interest-Rate Environment on the Retirement System in the United States.
    - Impact of Low-Interest-Rate Environment on Canadian Retirement System.
    - Communicating DB Risk to Plan Sponsors.
    - FinTech project—this project started in mid-2019.
    - LTC catastrophic insurance—this project started in the third quarter of 2019.
- Public-attitude research
  - 2019 Retirement Risks Survey (fieldwork completed and results presented on a preliminary basis at the 2019 Annual Meeting & Exhibit.)
  - Life Journey Research with adult children who have recently lost elderly parents (interviews have been completed and survey is coming in 2020).
  - Research to support development of SOA conversation guide—started in the fourth quarter of 2019. Research team is from the University of Minnesota and Stanford Center on Longevity, with support from Greenwald for consumer research.
- Experience studies
  - 2000–2011 LTC Lapse and Mortality Valuation Assumptions
  - 2000–2016 Long Term Care Report
  - 2011–2015 Deferred Annuity Mortality Study
  - 2005–2017 Structured Settlement Mortality Study

- Fixed Index Annuity Lapse and Guaranteed Living Benefit Utilization
- 2017 Variable Annuity Guaranteed Living Benefit Utilization Study
- Data-driven research
  - Public Plans Maturity Metrics and Asset Allocation
  - Pension Stats for Various Entities
  - Public Pension Funding Policy Review
  - Classification of Shared Risk Pension Plans
  - Economic Scenario Generator for Canadian Pension Design and Funding
  - Public Pension Contribution Analysis Update

### NOTABLE REPORTS ON SOCIETAL ISSUES

There are many very interesting reports. For this article, projects linked to societal issues—some of what might be viewed as unexpected—are discussed. Research that examines issues affecting individuals in and near retirement provides resources of value to improve outcomes for society.

There will be reports on some of the projects from other areas of the program in future issues of this newsletter. All of the completed projects are available on the Society of Actuaries website. It is hoped that the reader will choose to learn about many more.

The consumer research focuses on how people understand and manage post-retirement risks. The SOA's public attitude research program started nearly 20 years ago. This has been the core repeated work of the CPRNR, and it has been the source of consistent, excellent press coverage for the SOA. The biennial risk survey is our major ongoing committee project. Preliminary results of the 10th survey were presented at the 2019 SOA Annual Meeting & Exhibit. Greenwald and Associates conducted the online survey in 2013, 2015, 2017 and 2019. The topics of emphasis in the 2019 survey are the process of retiring, retirement income and spending, retirement income and planning, employment concerns related to the period nearing and in retirement, the reality of retirement and family support linked to aging alone. These topics are a mix of new and repeated topics. Each survey has topics of interest. In addition to the risk surveys, focus groups have been conducted with recent retirees and those retired 15 years or more. A unique special study focused on people age 85 and over. The generations work extended the SOA consumer research to younger generations.

The age 85 and over research is particularly interesting. There is relatively little work that has been done at these ages. This work consisted of some in-depth interviews, a survey of individuals age 85 and over, a survey of adult children of individuals age 85 and over and a conversation on cognitive decline. We explored

the types of help that people needed and were getting and where they were getting it from. We also explored how spending changed at the high ages. *Retirement Experiences of People Aged 85 and Over* provides a consolidated report of the findings of this work. This is one of a series of reports that combines the findings from a number of studies and consolidates them in single reports.

The SOA has worked with the Stanford Center on Longevity on a series of reports on lifetime income. This project is in response to the shift to defined contribution plans and the importance of more systematic approaches to the payout period. The most recent report in the series, the *Viability of the Spend Safely in Retirement Strategy* explores a baseline strategy to “pensionize” IRAs and defined contribution retirement plans to help older workers and retirees understand the amount of lifetime income they can expect in retirement. The reports in this series have explored issues related to employer-sponsored plans and the individual markets and have provided an analytical and quantitative approach to analyzing the trade-offs between a wide variety of strategies.

The SOA has completed a series of consumer education projects linked to some aspects of retirement and longevity. They include Managing Post-Retirement Risks (Risk Chart), 12 recently updated decision briefs, four retirement literacy issue briefs and a series of infographics focused on longevity. A new edition of Managing Post-Retirement Risks is coming soon.

### TOPICS UNDER DEVELOPMENT FOR NEW PROJECTS

Four topics have been selected for potential projects. Each of these topics has a small group to help formulate the topic into a project. The small groups were recruited primarily from the CPRNR members and interested parties as well as the Aging and Retirement Program Steering Committee.

The topics are—

- Working in retirement and phased retirement
- Health and well-being
- Retirement income and adequacy
- Retirement fraud

At this time, it is too early to say what we will do for each topic. Each of these groups has been provided with information about a variety of different project formats that the SOA has used for different projects including surveys, focus groups, call for essays, consumer education, research report with research performed by a researcher, literature review, etc. They are not limited to these formats, but this provides information about possibilities. It is anticipated that the groups will decide what they want to do within the next six to nine months.

## The Aging and Retirement Strategic Research Program brings together diverse research from several sources ...

### ACCESSING, USING AND PRESENTING THE SOA RESEARCH

- All of the research is available on the Aging and Post Retirement section of the SOA website; this is open to the public.
- Fact sheets offer a quick look to see what is of interest. Fact sheets have been developed for quite a lot of the existing research and they are being developed for new projects on an ongoing basis.
- Fact sheets can be used for presentation handouts and with clients.
- Research is presented at various meetings, both of actuaries and of groups outside of the profession. Presentations of major research are available to be used (see the Other Resources section of the Post-Retirement Needs & Risk research page).

Several members of the steering committee and the researchers present the research in various meetings and webinars.

- The research is cited in the press and press releases are used selectively. Each project is reviewed to see what the appropriate type of publicity is for that project.
- Some articles are based on the research. These are generally written by volunteers.

For more information, look at the Aging and Post-Retirement section of the SOA website or contact Steve Siegel at [ssiegel@soa.org](mailto:ssiegel@soa.org).

### CONCLUSION

The Aging and Retirement Strategic Research Program brings together diverse research from several sources designed to help improve the retirement system and support the needs of retirement actuaries and others concerned with retirement security in North America and around the world. It is an important time for retirement research as the system is evolving away from traditional defined benefit plans to much more use of defined contribution plans. This leads to current and future research needs to help actuaries supporting a variety of types of plans and to the users of these benefits. The SOA is proud to produce a variety of research studies and consumer information to meet these diverse needs. ■



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