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A View from the SOA's Staff Fellow For Retirement

By Andrew Peterson

This newsletter is scheduled to be published in February 2017, likely coinciding closely with when the Trump presidential term will start (for those of us based in the U.S.). While I will steer clear of any political views, it is a near certainty that the Trump administration will bring new opportunities for actuaries. This is perhaps most obvious for health actuaries who are anticipating yet to be determined changes to the Affordable Care Act.

The implications of a Trump administration for pension actuaries is less clear. Very little was discussed about retirement/old-age issues during the 2016 campaign season, so it is difficult to predict what retirement policy changes might be pushed in the new administration. There have been discussions about rolling back or modifying the new fiduciary rules, but those have generally had less impact on pension actuaries and more impact on our colleagues working in the insurance arena where product distributions approaches and commission structures are being impacted. Perhaps the rule going forward is to expect the unexpected!

The anticipation of the new administration has already had an impact on the markets with positive equity returns boosting portfolio values while increases in interest rates are lowering liabilities at a particularly opportune time for calendar year plans. How and whether these economic conditions will persist in the next few months and years is not something I will venture to predict, but they are welcomed by defined benefit pension (DB) plan stakeholders. Nevertheless, there continue to be a number of challenges facing the retirement system. In the U.S. there are challenges with key plans in the multiemployer pension system and public plans continue to make the news in certain cities and jurisdictions (i.e., Dallas) and I expect these financial challenges are not just a U.S. issue. At the same time, defined contribution plans are going through growing pains as work is being done to make them true retirement plans, not just savings/wealth accumulation plans. Overlaid on all this are challenges related to managing longevity, including questions about long-term expectations, differential mortality in different subpopulations, and so on.

So what does this mean for pension actuaries? As Grace Lattyak discusses in her chair column, even though we anticipate an evolving role, the fact is that providing good solutions for maintaining financial health in retirement is difficult and an area where our actuarial skillset should be applied. While change is often challenging, it also brings new opportunities. The SOA Pension Section Council is committed to providing education and research that is relevant both to our core ongoing work and to these changing times no matter what 2017 and beyond bring. As always, we welcome your ideas and suggestions. ■

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