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# The Big Picture: Highlights from the Impact of Aging Sessions at the 2017 Living to 100 Symposium

By John Cutler (with assistance from the panelists)

Every three years the Society of Actuaries (SOA) sponsors a symposium on “Living to 100 and Beyond.” The 2017 symposium was in Orlando in January 2017. Orlando—a city geared toward the young—found retirement experts talking about living to and beyond age 100. The SOA hosts this conference to explore issues related to longevity. This article will address two sessions that took a policy perspective at a high level, as well as from the perspective of individuals and what they need to do to respond. This article includes input from the panelists at the two sessions:

- Session 1C Panel: Impact of Aging: What Are the Biggest Current Policy Challenges Emerging from the UK/US/Canada as a Result of Aging?
- Session 2C Panel: Impact of Aging: What Can Individuals and the Private Sector Do to Address the Challenges Resulting from Aging?

## SESSION 1C PANEL

### Impact of Aging: What Are the Biggest Current Policy Challenges Emerging from the UK/US/Canada as a Result of Aging?

The first session reviewed visible current public policy challenges and developments as presented by speakers from three countries: the United Kingdom, Canada and the United States.

Anna Rappaport observed that the impact of aging is pervasive. It affects the fabric of society: what our communities look like, what health care we need, what products we buy, who is in the labor force and who needs help, among other concerns. Population aging affects countries all over the world. There are many common demographic threads although the speed of the impact of aging is very different by country. The response to the demographic shifts is quite different. In each of the two sessions,

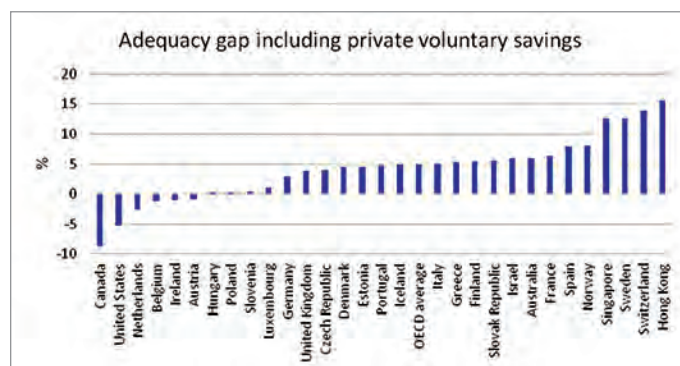
speakers from three different countries provided examples of current issues and responses, and then they held an informal panel discussion.

David Sinclair, from the International Longevity Centre in the United Kingdom (ILC-UK), spoke in both sessions. He provided insights from the research at the ILC-UK, which often includes multiple countries. He believed the sessions provided a useful opportunity to explore how different countries were responding to the challenges of demographic change. The panel considered how individuals, the insurance industry and governments could help ensure the financial and social well-being of future retirees. The discussions were wide-ranging, from increasing interest in using housing equity to fund retirement through debates on the potential for care insurance products.

David also presented new ILC-UK research on the global savings gap.

ILC-UK’s forthcoming research finds that the U.S. pension system is pretty good in terms of affordability (to the state) but that it performs poorly on adequacy for those who fail to save, resulting in relatively high poverty rates among the older population in the United States. This research will be available on the ILC-UK website<sup>1</sup> sometime this spring.

While the findings suggest that a young U.S. worker on average wage may not face the same savings gap as younger people in other countries, the debate pointed out that “averages can be misleading,” particularly when you consider the nature of inequalities in the United States.



David reported that while the picture may look rosy for the United States, the average person entering the workforce today will need to save at least \$5,608, or 11.1 percent of earnings every year, in order to secure an adequate retirement income.

The ILC-UK survey presented during the debate highlighted that while the system might work for those young Americans who do save, there are millions of people with no savings at all.

While just over half of the working population is currently saving into a private pension (54 percent), that still leaves a sizable proportion and number of people who are not saving into a pension and are therefore likely to face a significant retirement income shortfall.

It was further pointed out that in the United States, some long-term savings may be absorbed by health care costs.

There was interest in whether mandatory saving in places like Hong Kong and Singapore would result in positive outcomes for future generations of retirees. One participant highlighted that while the mandatory saving levels in Singapore are relatively high, the fact that some of this money can be used to buy property, for example, reduces the monetary resources available for retirement.

There was some surprise in the audience about the relatively poor positioning of Switzerland in the ILC-UK research results, a position that is driven by the fact that today's pensioners in that country are relatively wealthy. In those countries where older people today are relatively wealthy, future generations are more likely to find it difficult to get to replacement rates similar to their grandparents.

Those who understood the Canadian situation felt that the high positioning in the research results was deserved. Reforms are on the way to ensure sustainability, and there was a sense that Canada was heading in the right direction in terms of long-term retirement savings.

Robert Brown, formerly a professor of actuarial science at the University of Waterloo, gave us the Canadian headlines. Canada is moving in an opposite direction from many countries.

Canada is expanding its Social Security system; namely, the Canada Pension Plan (CPP). While the CPP now replaces 25 percent of one's wages up to the average industrial wage, a new tier of benefits will increase this replacement ratio to 33.33 percent of wages up to 114 percent of the average wage. The new tier of benefits will be fully funded to avoid the potential pitfalls of intergenerational transfers.

The previous Conservative government had proposed raising the age of eligibility for Old Age Security (OAS) benefits from age 65 to age 67 between 2023 and 2029. The Liberal government, however—elected Oct. 19, 2015—has rescinded this legislation, thus returning the age of eligibility for OAS back to 65. No actuarial logic was used in either proposal.

The average exit age from the labor force in Canada has been steadily rising since the turn of the century. Obviously, this has not been in response to legislation but is totally voluntary.

Canada is becoming increasingly unhappy with the efficiency of its health care delivery systems (each province runs its own system within federal guidelines). Canadians have always felt comfortable in believing that they do a better job at delivering health care than their neighbors to the south. However, they are now finally becoming aware that there are countries of the world that do a considerably better job at a lower cost.

John Cutler, senior fellow at the National Academy of Social Insurance, spoke about the United States. For the United States, it is an interesting time. It seems much more likely that benefits would be cut rather than increased. However, there is no way to tell where policy will go on many major issues:

- **Health insurance:** Will the Affordable Care Act be repealed and replaced?
- **Medicare:** Will we see the adoption of premium support?
- **Medicaid:** Are block grants coming?
- **Social Security:** Will the shortfall predicted for 2033 be addressed?
- **Pension and retirement security issues:** Will the large number of people without access to employer-based retirement systems be addressed? And what about the flat/declining real wages of the middle class?

Anna Rappaport reported that the interactive discussion in the first panel focused on several important issues. The panel started off with a discussion of what concerns the public the most. Outliving assets was high on the list discussed. In the United States, health care is a particularly visible issue at the moment, although many other countries also share concerns about health care costs and delivery. As the population ages, more and more health care is needed. Financing of long-term care is a very big issue and it is closely related to health care. However, while most developed countries have a highly organized health care financing system, the same is not true for long-term care financing. Gaps in these systems are widespread, and few countries have public systems that finance long-term care outside of their respective "welfare" programs. Long-term care was discussed in a number of sessions throughout the conference.

Three interrelated big issues are working later in life, statutory retirement ages, and how we retire. These three issues are important in multiple countries. When a retirement system switches from defined benefit to defined contribution, it generally loses incentives that encourage retirement at a specific time, and people may well work longer. But for people who want to work longer, finding jobs can be a problem. The panel also discussed intergenerational concerns and friction, as well as the roles of the public and private sector. While many countries are trying to reduce the role of the public sector, Canada is going in the opposite direction.

Highlighted links for more on these three countries are below:

### United Kingdom

How Long Will We Work for? Independent Review of the State Pension Age: Interim Report (2016): <https://www.gov.uk/government/consultations/state-pension-age-independent-review-interim-report-with-questions>

How Will We Pay for Care?: Dilnot Commission on Social Care Funding (2011): <http://webarchive.nationalarchives.gov.uk/20130221130239/https://www.wp.dh.gov.uk/carecommission/files/2011/07/Fairer-Care-Funding-Report.pdf>

Changes in Pension Policy: Information on Pension Freedoms: <https://www.gov.uk/government/news/pension-changes-2015>

### Canada

CIA Paper: Report on Issues Related to Increasing the “Retirement Age”: [www.cia-ica.ca/docs/default-source/2013/213038e.pdf](http://www.cia-ica.ca/docs/default-source/2013/213038e.pdf)

IAA Releases Paper on Determination of Retirement and Eligibility Ages: Actuarial, Social and Economic Impacts: <http://www.actuaries.org/index.cfm?lang=EN&DSP=PUBLICATIONS&ACT=PAPERS>

CPP Reform: What’s Changing and How It Will Affect Canadians: <http://www.theglobeandmail.com/globe-investor/retirement/cpp-reform-whats-changing-and-how-it-will-affect-you/article30551445/>

### United States

Fiduciary responsibility (Department of Labor): [www.dol.gov/general/topic/retirement/fiduciaryresp#doltopics](http://www.dol.gov/general/topic/retirement/fiduciaryresp#doltopics)

Phased Retirement—U.S. Office of Personnel Management (OPM)(Aug. 8, 2014): [www.opm.gov/retirement-services/phased-retirement/](http://www.opm.gov/retirement-services/phased-retirement/)

Longevity Annuities (Department of Treasury): <https://www.treasury.gov/press-center/press-releases/Pages/jl2448.aspx>

States Are Working to Provide Benefits to Those Without Employer Plans: <http://www.pewtrusts.org/en/research-and-analysis/fact-sheets/2016/07/how-states-are-working-to-address-the-retirement-savings-challenge-three-approaches>

For even more information, see the reference lists available as part of the session materials for Session 1C that include major websites, legislative information and research reports for those three nations.

## SESSION 2C PANEL

### Impact of Aging: What Can Individuals and the Private Sector Do to Address the Challenges Resulting from Aging?

On the second panel, the focus was on specific issues and potential solutions at a more granular level. Susana Harding, of the International Longevity Centre in Singapore, picked up on many of the same themes as David Sinclair (who was also on this panel). She pointed out that each of us experiences aging every day in different ways, depending on where we are from (context) and whether we are born female or male (gender). At the individual level, aging has both positive and negative impacts and, to a large extent, is influenced by how much self-care we do.

In Singapore, there is a movement that has been started by the Tsao Foundation to empower elders to take charge of their own aging process and build up their self-care abilities to be able to continue to age in place and to age well in the community.

The self-care program, the Self Care on Health for Older Persons in Singapore (SCOPE), is now being offered in different locations and centers all over Singapore. SCOPE has also been accepted by the Ministry of Health as one of the programs under the National Senior’s Health Programme as part of the Action Plan for Successful Ageing in Singapore.

“Self care starts with me” is becoming a commitment by elders who join the program, and this commitment is translating into changes in their lifestyle, especially in terms of exercise, nutrition and chronic disease management. As more older Singaporeans know how to take care of themselves, we look forward to better utilization of health care and delay in the onset of disability, both of which translate into savings in health care cost.

Cindy Hounsell, president of the Women’s Institute for a Secure Retirement (WISER), spoke as well. She believes the challenges associated with aging in the United States are enormous. Policymakers are unaware of the issues among their own constituencies. A large segment of the aging baby boomers has not planned for the years after they stop working, and the result is a significant segment of the population with few financial resources other than Social Security, the public retirement system.

A general lack of financial knowledge puts many families at risk with their decision-making—few people outside of those in the employer-sponsored retirement system world know how to begin or how to execute a plan that will help them achieve retirement success. There is also a general distrust of financial institutions, so many people who might seek help just give up or avoid looking for help in finding a financial solution.

Women, in particular, are at risk of running out of money as they have fewer savings and a need for *more* money due to the impact of their living longer with higher expenses for health care and the likelihood of chronic illness and long-term care needs.

However, planning how to deal with the future can make a huge difference. The key challenge is knowing where to find the help you will need. There are many services that are available to the aging population, but most people are unaware of how that system works or the resources that they can tap into. Every state offers a range of special home- and community-based services through the local area agencies on aging—with programs funded by the U.S. Administration on Aging. These services include transportation, adult day care, caregiver support, health promotion programs and more to help people continue to live in their own homes.

Knowing where the help and resources are located and how to access them is an important key to living independently in old age. But, for the future generations, there needs to be increased access to retirement savings plans from the moment they begin

work, and better education on what the financial implications are for living a longer life.

*John Cutler is an attorney and a senior fellow at the National Academy of Social Insurance (NASI) as well as a special advisor to the Women's Institute for a Secure Retirement (WISER). In addition, he has volunteered on a number of Society of Actuaries projects and committees. John has over 25 years expertise in the areas of health care, Medicare, long term care insurance, disability, aging, and insurance benefit design in both the public and private sectors. ■*



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#### ENDNOTES

- 1 [www.ilcuk.org.uk](http://www.ilcuk.org.uk)