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A View from the SOA's Staff Fellow for Retirement

By Andrew Peterson

As I read various newsletters and research that crosses my desk, one topic that has really gained in prominence in the last year or two has been the topic of financial wellness. Over the years, there has been significant concern and much hand-wringing about the lack of financial literacy in the United States. In light of the difficulties in fostering these skills, I would surmise this is an issue not only in the United States, but also in other countries where Society of Actuaries (SOA) members practice. This concern about financial literacy has evolved into the concept of "financial wellness" and is now being discussed, developed and delivered as an employee benefit.

As pension actuaries working with retirement plans, the financial wellness connections to our work should be fairly obvious, since participants who don't have a basic financial understanding are not likely to be able to understand or to appropriately plan for significant financial events, like retirement. To that end, the SOA's Committee on Post-Retirement Needs and Risks recently completed a call for essays on the topic of Financial Wellness. Prizes were awarded to the top six essays. The winning essay, "Calculating ROI: Measuring the Benefits of Workplace Financial Wellness," by Greg Ward, is being featured in this newsletter. The full set of essays is available here *https://www.soa.org/News-and-Publications/Publications/Essays/2017-financial-wellness-essay-collection.aspx*; however, I'd like to provide further background and whet your appetite on this topic by providing excerpts from the introduction as follows:

> Financial Wellness is a hot topic in the employee benefit environment. Employers have increasingly recognized that employees with difficulties are easily distracted and less productive. . . . The essays represent a thought-provoking array of views and perspectives. The call for essays gives background and can be found at *https://www.soa.org/Research/Research-Opps/Call-For-Papers/financial-wellness.aspx*. We are very pleased to have a diverse group of authors including about half actuaries and about half other professionals.

Financial wellness is a different way to think about financial success compared to much traditional actuarial work. They are not inconsistent, but they are somewhat different. Financial wellness is holistic by definition. It includes quite a lot of emphasis on debt management and on getting the job done. Traditional discussions by actuaries are often focused on risks, one at a time, although they can be holistic. There is not as much focus on debt and on implementation.

There are a variety of definitions of financial wellness. In the call for essays, the definition from the Consumer Financial Protection Bureau was used:

> *The U.S. Consumer Financial Protection Bureau (CFPB), which was created only five years ago, has produced several reports and is particularly focused on these topics. The CFPB has defined financial well-being as "a state of being wherein you:*
>
> - *Have control over day-to-day, month-to-month finances;*
> - *Have the capacity to absorb a financial shock;*
> - *Are on track to meet your financial goals; and*
> - *Have the financial freedom to make the choices that allow you to enjoy life."*

COMMENTS ON ESSAYS

The essays submitted cover the big picture of financial wellness generally including retirement wellness. Several of the essays are targeted at employer issues. One of the prizewinners focuses on success in these programs and another at return on investment. Other essays focus on the individual: for example, the individual as risk manager and managing procrastination. One essay focuses on the use of technology in building solutions and another on practical issues. These essays are about making programs work and be effective.

Other essays add to the content and provide more content linked to financial wellness. For example, one of the prizewinning essays focuses on the 401(k) as a lifetime financial solution. Another deals with effective late-in-life solutions to practical problems. We believe that these essays add to the literature and content as financial wellness is more accepted.

PRIZEWINNING ESSAYS

First Prize

- Greg Ward, "Calculating ROI: Measuring the Benefits of Workplace Financial Wellness"

Second Prize

- Tianyang Wang, "Fighting Procrastination for Financial Wellness—Harness the Power of Inertia"
- Julie Stich, "What Makes a Workplace Financial Wellness Program Successful?"

Third Prize

- Ken Steiner, "Using Sound Actuarial Principles to Enhance Financial Well-Being"
- Jack Towarnicky, "The 401(k) as a Lifetime Financial Wellness Solution"
- Scot Marcotte and John Larson, "Financial Well-Being as a Technology Solution"

I encourage you to read these essays and think about how they might influence your work as a pension actuary. As always, we welcome your feedback, ideas and suggestions. ■

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RPEC Update: Public Pension Mortality Study

The Retirement Plans Experience Committee (RPEC) and the SOA are working on a study of mortality in public pension plans. The data has been validated and currently the dataset contains approximately 45 million life years. The committee is now performing multivariate analysis on the dataset in order to review potential variations in mortality rates, including by job classification and geographic region. The preliminary actual-to-expected mortality ratios based on aggregate RP-2014 rates are generally below 100%. Interestingly, the preliminary actual-to-expected mortality ratios tend to be considerably closer to 100% when based on the RP-2014 White Collar tables. This could be attributable to the fact that the relatively high blue-collar concentration in the aggregate RP-2014 table may be different from blue-collar concentration in the public plan data set.

There has been a delay in the study timing due to data collection and verification issues. Currently, the plan is to issue an exposure draft report in the fall of 2018, with completion and publication of the final report in spring 2019 after a 3–4 month exposure period.