Discussion: Session 4B—Longevity and Lifestyle

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The three papers presented in this session of the 2014 Living to 100 Symposium are on the surface very different: a "futurist" look at the implications of increased longevity, a voluminous review of 15 years of research into retirement issues sponsored by the Society of Actuaries, and a study of subjective estimations of longevity carried out in Europe in the 2000s. Despite these differences in focus, hearing the presentations back-to-back yields insight into how individuals' views of their advanced years and the issues they will need to confront during these years has been or will be affected by the increase in the likely number of them.

The first paper presented was a speculative offering by Rick Gorvett titled "Socioeconomic Implications of Increased Longevity." The paper examines a sampling of socioeconomic issues emerging from the possibility of substantially increased longevity; it attempts to treat economic, personal and ethical implications (certainly an ambitious undertaking). The approach is very broad and nonquantitative. Although Gorvett claims to be interested in actuarial implications, these are not very fully investigated.

This broad approach does allow Gorvett to raise many questions. Speculative answers are given, but the real value, in my opinion, is in the questions themselves. In most cases, answers alternative to those Gorvett provides are possible. For example, increasing longevity might lead to dissatisfaction among young workers, due to the long wait for older workers to retire, as stated in the paper. However, an alternative prediction might be that changing technology will lead to earlier obsolescence of a worker's skills, leading to displacement and dissatisfaction of *older* workers, who can no longer be "carried" until retirement.

Another example, personal rather than economic in focus: Will increased longevity lead to a longer series of marriages or relationships, as Gorvett suggests, or to a longer "last marriage"? Or to longer periods of "aloneness," which another presentation at this symposium suggested was actually "good" for centenarian women (in the sense of being correlated with reaching age 100)? Will increased longevity lead to even later ages of first marriage (and perhaps therefore fewer divorces)? More "elderly" parents? A greater likelihood of knowing one's great- or great-great-grandchildren and thus a better chance to bypass offspring who, as one knows, never get over their teenage rebelliousness sufficiently to absorb the wisdom one is so clearly able to impart—perhaps finding greater receptiveness in the second or third following generations?

On the ethical plane, will the greater loss associated with life-shortening acts (murder, death caused by driving while intoxicated or other negligence) incur greater penalties? Will we opt for longer jail sentences so that the perpetrator is not left with too much life to live after release?

Finally, on what might be thought of as the aesthetic implications of longevity, one is reminded of Wallace Stevens' questions in "Sunday Morning":

Is there no change of death in paradise?
Does ripe fruit never fall?
…
Death is the mother of beauty …

Gorvett poses many questions of general interest but does not provide much focus on the specific implications for actuaries of the potential economic, personal and ethical issues raised by increased longevity. Happily, the second paper presented to this session, "Perspectives on SOA Post-Retirement Research and What it Tells about the Implications of Long Life," by Anna M. Rappaport focuses on exactly these implications. The paper is a comprehensive review of 15 years of SOA-sponsored research into post-retirement risk, covering mainly individual actions, decisions and perceptions, as well as influences on the individual. Discussion of public policy is limited to its influence on individual decisions.

The paper gives 13 key findings as well as the author's point of view on and recommendations relative to these findings. The listing is useful, though most of the findings will not be surprising to anyone familiar with the field. The specific findings about individuals' perceptions and concerns are perhaps the most useful. For example, one finding (from the "Retirement Risk Survey" series) is that pre-retirees are generally more concerned about risks than retirees and that the top three risks (inflation, health care and long-term care) appear repeatedly. Interestingly, in another session at the symposium,[1] a LIMRA study shows the top three risks for retirees to be public policy, inflation and investments, while the top three risks for advisers of retirees are health care, longevity and public policy. Public policy concerns were not among the available choices in the "Retirement Risk Survey" choices. The "New American Family" survey, quoted in the paper, also found that public policy issues are of greatest concern to retirees. Another finding of particular interest is that there is a big difference between actual and expected retirement age—obviously an impediment to effective planning. Another finding—that many people underestimate their longevity—is consistent for women, but not for men, with a finding of the third paper by Peracchi and Perotti discussed below.

I do have some quibbles to report: The paper states that Medicaid is only available to those with extremely low income and little wealth. But an opinion piece in the *Wall Street Journal*[2] by a former vice chairman of the federal Commission on Long-Term Care claims one doesn't really have to be indigent to obtain Medicaid, depending on state rules. In one state, he claims that a personal residence of up to $802,000 in value does not disqualify the owner from receiving Medicaid. Also, the paper discusses studies that indicate retirement decisions are affected by both rational concerns and emotions, but it does not discuss the value of "overcoming reluctance" in the purchase of financial products that could mitigate retirement uncertainties. The value of this service—the *raison d'etre* of salesmen—needs to be considered in conjunction with the value of purely rational advice—some mix may be needed to move people to better decisions.

[1] Presentation by J. Montminy, Session 5C.
[2] Warshawsky, Mark, "Mark Warshawsky: Millionaires on Medicaid," *Wall Street Journal,* Opinion Pages, Jan. 7, 2014.

Franco Peracchi presented a paper co-authored with Valeria Perotti, “Subjective Probabilities and Life Tables: Evidence from Europe.” The paper studies subjectively determined probabilities of survival to certain target ages provided by respondents to the Survey of Health, Ageing and Retirement in Europe (SHARE), conducted in several European countries in 2004 and 2006. The results documented in the paper are based on SHARE data as well as data from the Human Mortality Database. Peracchi and Perotti construct cohort tables for use in analyzing the data because it is believed period tables are unsuitable for direct comparison to the subjective survival probabilities based on SHARE data. The appendices actually show comparisons on both bases. A Lee-Carter model is used to forecast future cohort mortality. The paper uses regression techniques to model survival probabilities based on two sets of factors—those considered by the life tables, such as age, target age, gender, birth year and country, and those representing additional characteristics only available in the SHARE survey, such as educational attainments, household income, health status and whether parents are still alive. From this analysis, Peracchi and Perotti draw conclusions about the relationship of subjective survival probabilities to life-table probabilities in nine European countries and about possible causes of differences between subjective and life table probabilities.

The focus of this session is on implications rather than modeling techniques; however, some comments on technique might be appropriate. For example, it seems unfortunate that the SHARE study focused on target ages instead of some fixed number of years in the future. The target-age approach adds a variable that has to be considered in conjunction with results. Also, in a discussion by Leonid Gavrilov and Natalia Gavrilova from the 2011 symposium, the appropriateness of the Lee-Carter approach is discussed. It is possible this discussion has relevance to the current paper.

Regarding the implications that Peracchi and Perotti draw from the studies, some comments may be made. The authors, as noted, assume that comparisons of the subjective probabilities to observed probabilities are best done using a cohort table. But do individuals really make their estimates based on cohort considerations? Older people, at least, read lots of obituaries and often muse that should they die at the same age, they would have x years left. This may tend to make estimated probabilities somewhat more comparable to those in period tables. Also, it would be good if smoking status could be included directly into one of the sets of variables (some surrogates are in the second set). In insurance tables, the effect of smoking is seen to be extremely significant. Unismoke tables, such as the typical national life tables, are highly dependent on smoker fraction, which may vary from country to country, as well as across other risk characteristics, including gender.

The finding that men don’t underestimate their survival probability is at variance with an assertion in Rappaport’s paper, although the finding that women do underestimate is consistent. This inconsistency might warrant further investigation. Rappaport’s research is, of course, based on U.S. experience, while the Peracchi/Perotti data are from Europe.

Finally, one might wonder if women are actually “myopic”—prone to underestimate their life expectancies—as would be the case if the life table estimates are assumed correct, or are they simply not willing to include in the estimate of years “alive” all of their longer expected period of disability (a bias which could be considered either pessimistic or optimistic)?