



SOCIETY OF ACTUARIES

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# The Actuary

## Family diversity

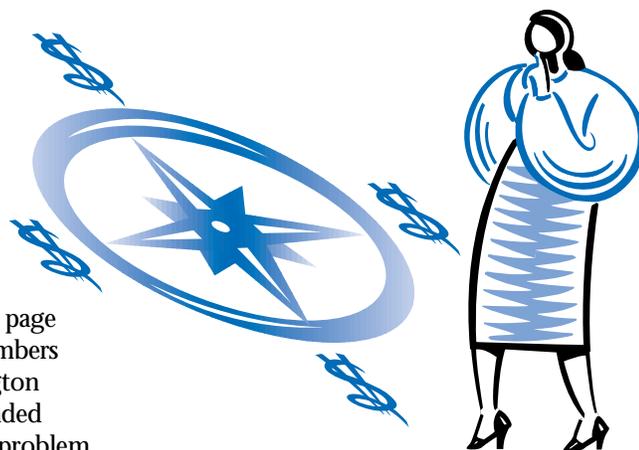
### Fundamental changes are needed to improve older women's financial status

by Anna Rappaport  
1996-97 SOA President-Elect

It's no secret that women in the United States live longer than men and so need income longer. However, many retirement planners, including actuaries, don't approach the problem with a complete perspective on the issues.

This was my message to a Congressional "lunch and learn" session sponsored by the Retirement Savings Network in Washington, D.C. (see story on page 6). I believe many of the 80 members of the Capitol Hill and Washington pension communities who attended have a fairly narrow view of the problem — specifically, that it can be solved largely by changes to the private pension and Social Security systems. My goal was to change some perceptions.

I have been interested in demographic change and financial security since the early 1970s. My primary focus prior to coming to consulting was adaptation of insurance products for changing needs. I co-authored a paper, "The Impact of Social and Economic Changes on Financial Security Systems," published by the Society in the 1978 *Transactions*. Then, as now, it was easy to say, "This is a women's issue," and move on to more mainstream discussions. In fact, the consequences of old age vary by individual and are very often worse for women. As actuaries, we should understand that if we're designing programs for retirement and don't face the implications of demographic and family diversity, we're not really doing our job well. We're designing programs



that work well for some people while leaving others with a poor result.

To design retirement programs is, almost by definition, to design programs for the elderly. The elderly poor or near poor are often women, who were not poor when they were married or still in the workplace. Because women live an average of five years longer than men, elderly women are more often widowed and do not remarry, and so women are much more likely to live alone. Women's longer lives also lead to a greater probability for needing institutional long-term care. The implications for income and asset needs are obvious.

The economic problems of today's elderly U.S. women start with their work histories, which often mean lower pension and Social Security benefits for women than for men. Some women have never held jobs that entitled them to pensions, or they were unable to remain in jobs long enough to become

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vested. On aggregate, women working today still have lower average earnings than men, so pension and Social Security differentials won't improve greatly for many years. Further, where Social Security is a couple's sole support, a married woman's financial

status often declines dramatically at widowhood because widow's benefits provide significantly less than the survivor's financial requirements.

Many other factors lead to the gap in the economic status of older men and women, including:

- Family decisions about the allocation and use of retirement assets
- Public attitudes that do not encourage substantial saving for retirement
- Failure to organize a comprehensive system to provide and finance long-term care

## Retirement Savings Network focuses attention on employer-sponsored savings plans

by *Jacqueline Bitowt*  
SOA Public Relations Specialist

As U. S. lawmakers considered the swell of baby boomers moving toward retirement, it seemed to some groups on Capitol Hill that legislators saw only two approaches: individuals must save more, and Social Security must be strengthened.

Where were employer-sponsored retirement plans?

"The role that such plans played clearly was not understood or even in the picture," said Janice Gregory, a vice president of the ERISA Industry Committee. In response, 30 organizations with interests in employer-sponsored retirement plans joined to form the Retirement Savings Network, and actuaries have contributed to the young group's successes.

The network, launched in January 1995, works to educate the American public and elected officials on the importance of retirement savings and to promote long-term retirement savings. Equally important is its lobbying activity, said Angela Arnett of the American Council on Life Insurance, a network member. "We meet to discuss legislation, and to the degree we agree, we lobby as a unified group," she said.

The Retirement Savings Network has had two major wins to date:

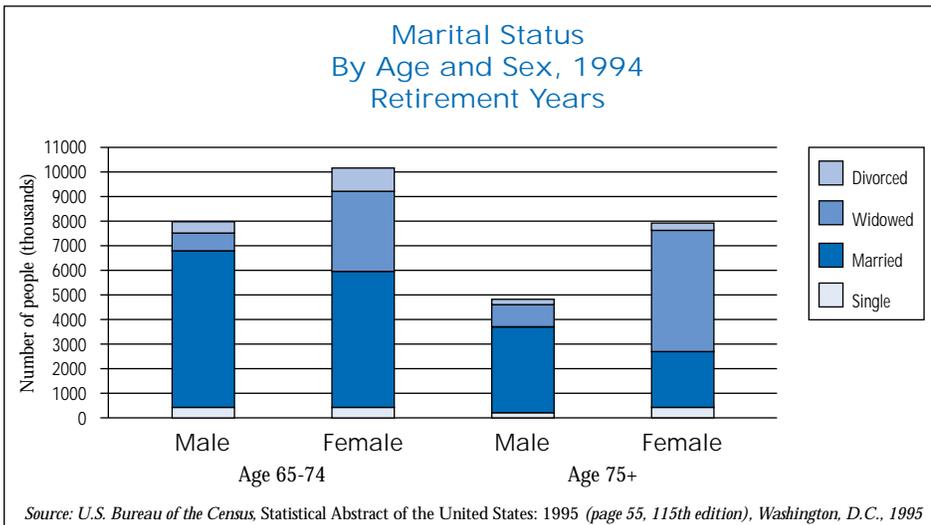
- Helping boost pension simplification provisions into the Small Business Job Protection Act of 1996 (the law that raised the minimum wage). The American Academy of Actuaries provided actuarial information to help the network determine the direction of the packages it would support.
- Educating legislators about employer-sponsored plans and other retirement issues by working with Congressional staff to develop programs for the "Lunch and Learn Series" sponsored by the Senate/House Steering Committee on Retirement Security. Anna Rappaport, the SOA's president-elect, brought actuarial information on the plight of elderly women to

80 Capitol Hill influencers at a recent luncheon meeting (see story on page 1).

The American Society of Pension Actuaries is an active RSN member, providing actuarial information and sometimes participating in lobbying. But, because the network lobbies, the Academy only contributes information and remains "an active listener, not a participant," said Academy policy analyst David Rivera. "We do not sign the (lobbying) letters they send to the Hill, but we contribute our material to them, material of an actuarial nature that helps RSN members understand the implications of various policy options."

Gregory pointed out that lobbying usually is done by subgroups of the network but is very valuable. "It was critical to the pension simplification provision of the small business act, to keeping the provision bi-partisan and getting it through," she said. Arnett noted that another wave of lobbying can be expected. Pension simplification is expected to be the focus of several bills, she said, "so we're putting a package of proposals together that we'd like to see included to expand pension coverage."





- Failure of many families to secure adequate life insurance on the main breadwinner, if there is one
- A Social Security system that works very well for a single-earner family with a dependent spouse but much less well for various combinations of dual-earner families
- The true difficulty in saving for retirement by the many women who must work hard as single parents to support children, leaving little (if any) for savings

Another crucial factor is the status of homemaking. While homemaking and caring for the family are an economic contribution, the economic system does not directly recognize it. Further, while women are most likely to be homemakers, they also are most likely to be supporting children alone. Provisions so far have failed to recognize the range of situations, and requirements that may protect a homemaking spouse may also protect an absent spouse not supporting the family. An example is a requirement for spousal consent and/or automatic distribution of benefits on divorce for private pension assets. More thinking is needed to understand the diversity in family patterns and protect only what is equitable to protect.

The fundamental reasons for the differences in pension benefits for men and women are differences in

work histories, types of jobs, and earning levels. These are not differences that can be resolved within the pension system. We must look more broadly to find avenues to better security for women.

To improve the economic future for older women:

- Increase public awareness of the importance of saving. Increase savings levels and improve the savvy of savers.
- Encourage employers to offer pension plans and maintain a strong private pension system. Develop a sound, national pension policy.
- Make the changes needed in Social Security to assure that we will have a strong system going forward.

- Modify Social Security to better handle a variety of family patterns.
- Ensure that the social safety net programs are strong and serve as a way to protect those people who are poor and do not have the family earnings history to secure either pensions or Social Security.
- Develop a better system of financing and providing long-term care.
- Provide better public education in financial planning, including planning for contingencies such as death and divorce.
- Create better protection for widows and widowers. Note that there are tradeoffs between different methods of providing protection to surviving spouses, including the use of survivor benefits in pensions, setting aside assets, providing life insurance, and providing long-term care insurance.
- Do not look to the pension system as a means of solving pension differences stemming from differences in work patterns and wage rates. To the extent that changes are needed in employment patterns, deal with them directly.

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