Informal Discussion Transcript
Concurrent Session 1C: Impact of Aging: What Are the Biggest Current Policy Challenges Emerging From the U.K./U.S./Canada as a Result of Aging?

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ANNA RAPPAPORT: Good morning. This is Session 1C, "Impact of Aging: What Are the Biggest Current Policy Challenges Emerging from the U.S./U.K./Canada as a Result of Aging?" I'm Anna Rappaport, and delighted to have you all here. We hope this is going to be an interactive discussion, and it is being recorded, so I'm going to ask all of you to do us a big favor, if you want to participate in the discussion.

This is part of a two-part discussion. We're going to be talking about the issues from a very big-picture policy perspective. The second part focuses on the other side of the coin, people and the private sector. Also, there's a handout that includes data sources, references, and websites. Our discussion will offer insight into issues, and we hope that every one of you is going to walk out of here saying, "I really need to know more about that." To help, we've compiled a reference list to help you figure out which of the issues you'd like to learn more about.

The three panelists represent three different countries. Representing the United States, we have John Cutler, who has been a very active volunteer for the Society of Actuaries Committee on Post Retirement Needs and Risks. He is an attorney, very well known in health and long-term care policy, has distinguished service with the federal government, and he is now retired from the federal government. He is currently serving as a senior fellow for the National Academy of Social Insurance and a special adviser to the Women's Institute for Secure Retirement. He has done a lot of very interesting things. We're thrilled to have John with us.

Representing Canada, we have Rob Brown, who was a colleague of mine in many settings within the profession. Rob is a retired professor from the University of Waterloo in Canada. He's served as president of the Society of Actuaries, the Canadian Institute of Actuaries, and the International Electoral Association.

From the United Kingdom, we have someone who we just met for the first time, David Sinclair. He's the director of the International Longevity Center in the United Kingdom. On the website for the conference, you have much more extensive bios for all of them.

We're going to start with some very brief introductions to issues in the three countries, and then we will have some interactive discussion between the panelists. We will start with the United States and John Cutler, and of course, he has the great challenge that with the change in administrations, everything he says, you're going to be asking, "Is that going to be true next week?” [*Laughs*]

JOHN CUTLER: Thank you Anna. That’s true. Trying to prepare for this has been a bigger challenge, even though thematically speaking, the issues are the same issues—you know, Medicare, whatever, pension policy. It’s just how they play out will be so different. All right. This is what it looked like right after the election. [*Points to slide*] That’s Edvard Munch’s “scream” picture, so we all get to scream a little bit before we move on. Also a caveat: Anna mentioned I’m a senior fellow for the National Academy of Social Insurance and also work with Cindy Hounsell and WISER. None of my remarks are necessarily reflective of those organizations.

Big-ticket stuff. So this is actually to some extent the order that I think you’ll see activity in Washington. Everybody knows that the Republicans are interested in repeal and replace, or repeal and delay, or repeal and repent, or—you know, something will happen. They’ve already put out on the Senate side the legislative proposal, as of yesterday, as to how they want to approach this, and the lead theory is that the Republicans will be able to repeal the ACA [Affordable Care Act], but they won’t make it effective until after the 2018 midterm elections. That gives them time to come up with a replacement plan, and what that looks like, you know, go read the newspapers. You’re likely to see as much there as I get. I mean it will be coming out in driblets and drablets as we go along. Right now, all we know is that is their intent, and it appears that they will actually go forward with the repeal, as opposed to what some people have advocated, which was come up with the replacement plan first, then repeal it.

Medicare. There’s been, over the last couple of years, this idea of modernizing Medicare. It even goes back to the first President Bush adding drug coverage to Medicare. So the program has evolved and can continue to evolve, but one of the ideas that some of the Republicans are looking at is premium support—basically, give individuals their money and say, “You go buy health insurance, because you can do a better job than we can in Washington in telling you what you want.” On all these issues as we go forward, there’s going to be questions. Do people really want the honor of having all this responsibility? Medicare’s a program that’s not really broken. It has some issues, particularly on the financing side, but will premium support solve that? Maybe. Maybe not. There’s definitely interest in the leadership in the House and the Senate in going—particularly on the House side—going forward with something around Medicare change, and it will probably be premium support.

Medicaid. There are two different issues here. Medicaid is actually also a subset of the first topic I mentioned. The ACA expansion included Medicaid, so some people are coming in, because they have subsidies, into the health insurance market, where some people are getting Medicaid support. So if you get rid of the ACA, you also affect the Medicaid side for a number of people.

The other big issue is block grants. The idea again: give the money, in this case not to the people, but to the states. The states get a block grant. They can do whatever they want with that money. Initially, it will be the same amount of money as they're getting now. Over time, the whole point—well, I shouldn't say the whole point—there are two points to what the Republicans are doing. One is that local control is better control: "You know in Indiana what you need better than people in Washington, DC." So there's some sense that it's a better place to have responsibility. But the other thing is to cap the federal fund, the amount of money the federal government is giving to the states, and so this is one way to do that. So block grants may entail less money in the future to the states, and that will be problematic. On top of that, some of the states are really able to handle Medicaid issues in terms of trying to save it and move long-term care to manage long-term care. There's a lot of stuff going on. Some states do a good job; some states don't. So that's also to be determined, but that's also on the list of things to do.

Social Security. There was some talk about privatization. President-Elect Trump has said he is not interested in touching Social Security, so that's probably not going to happen, but Social Security's got a shortfall coming around 2033. Best guess on that one, it's 2017 now, and 2033 is way off in the future, and if they're working on these other three issues, are they going to have the legislative time and energy to get down to this one? Maybe not.

Pension issues, retirement issues. We know there's a lot going on in there, and later on, I'll talk about some other ones. I was at an EBRI [Employee Benefit Research Institute] conference recently, and more than one of the speakers talked about retirement savings and retirement policy. The way the Hill [Capitol Hill, a reference to the U.S. Congress] evidently looks at a lot of these changes up there [is that] the retirement savings side is like a big piggy bank. So if you're on the Hill and you've got a piggy bank, you use it for the things you want, and so the Republicans on the Hill are interested in things like cuts in the capital gains [tax] rate. So I don't know that we'll see a lot of stuff in this pension area in a large-ticket sense. You know, they're not going to come in and do auto-IRAs or something like that, like you might have seen in the Obama administration.

So, speaking of the Obama administration, because the climate was so toxic, you didn't see a lot of legislative activity after the healthcare law was passed. It didn't mean that there weren't things going on, and I apologize for the size of this [slide]. They'll be in the materials so you can see it, but everybody knows that DOL [the Department of Labor] put out the fiduciary rules. There was a lot of talk they weren't user-friendly. Cumbersome. Companies, though, have started to adopt them. They don't necessarily want to go back and look like they're not interested in taking care of people. So while a lot of people thought the Trump Labor Department would go in and get rid of them right away—probably not. They might tinker with them and improve them, and that would be a good thing. I mentioned auto-enrollment and all that. There's been activity out of DOL saying states can move forward. You've got the MyRAs that came out a while back. So there was administration activity in the retirement space, and we don't know whether the Trump administration is going to go in that direction, but it could, because the issues are still there, and it's not particularly a politicized issue.

Then longevity annuities. Again, activity by the administration—in this case, the Treasury Department—to help on longevity annuities. That's also a good area that the Trump administration folks could go in for. There's no downside on the politics of it, but whether they're interested in that versus something else—unknown.

So the president comes in—President-Elect Trump: What's been his mantra in terms of issues we care [about]? It's things like the need for better jobs. And I should have put in a little dot, dot, dot, "in the U.S.," because he's definitely interested in that. Flat and declining wages—those are the people that voted for him—what's he going to do about that? You know, a capital gains cut doesn't do anything for these guys, so that will be something to see. He was on record as wanting very large infrastructure legislation. That's going to conflict with people on the Hill that are deficit hawks, but if you do see something going forward on infrastructure, everything will be called infrastructure. So you want to do something with housing, ah, it's infrastructure. So it will be interesting to see whether the Democrats jump on board, because traditionally when you have infrastructure of things like hospitals and bridges and roads and stuff, everybody loves it, because there's always going to be a hospital or bridge or a road in your area. But [that's] to be seen, because the costs are huge, particularly if they do some of these other things—as I said, the ACA stuff. That will be an interesting one.

Sort of an "in conclusion" for these remarks, we've got something where you're building and you're constructing, and you're going forward in a positive way, versus not. So we'll see how those things play out.

ANNA RAPPAPORT: Okay. Rob?

ROBERT BROWN: It feels like I have a very heavy responsibility to "represent Canada," but I also know that there are a number of Canadians in the audience who know a whole lot of stuff about a whole lot of things. So I may turn to them in a moment of need.

What are the headlines in Canada? We're having issues with pensions, especially in the private sector. I'm now hearing people saying that single and small and medium-size employer pension plans have been a failure. Only 38 percent of workers have a workplace pension, and in the private sector, it's only 24 percent, those being evenly split 12 percent DC [defined contribution], 12 percent DB [defined benefit]. So for a normal worker, their pension plan is nothing at all, and we have a concern about that, because these people are left to their own devices, and they turn to advisers who charge them a lot of money, and they invest in mutual funds that charge them a lot of money, and then when they retire, they don't know what to do in the drawdown. So it's an issue.

Another thing that has happened is rather fascinating. The previous conservative government announced a rise in the eligibility age for Old Age Security from 65 to 67 over the period 2023 to 2029. Then we elected a new government in October of 2015, and one of the promises they campaigned upon was to not shift the age of eligibility upward, and just about the first thing they did as a new government was to remove this legislation and put the age of eligibility back to 65. I don't think this issue has gone away, however, and if you get Canadian news, you may see it percolating around the edges yet again.

Here's the big headline. I think this may be unique in the world. We have agreed to expand our social security system in the form of the Canada Pension Plan. This is a contributory plan. It has sustainable contributions. It is not fully funded. It is partially funded, but it has sustainable contributions. At the moment, benefits earned are at the rate of 25 percent of earnings, up to approximately the average industrial wage. The new plan will have benefits of 33.33 percent of earnings up to 114 percent of the average industrial wage. So this is not a huge shift, and it certainly doesn't mean that the government will do everything for everybody, but we've expanded social security. The new tier of benefits will be fully funded. In fact, in some ways, it almost looks like a defined-contribution plan. You don't get benefits until you pay for them. This, I really think, was based in terms of having no intergenerational transfers, which was a concern.

Another headline: health care. We don't have a single system of health care delivery in Canada. Every province is responsible for delivering health care in that province. The federal government gets involved, because they transfer some funds to help the provinces pay for the delivery of health care, and they demand certain things in return. Now, it might come as a surprise to you that every year we have a meeting, and the provinces ask for more money and more money and more money. This money does not necessarily go back into health care delivery in the province, and the federal government has been pushing back a bit, both the conservative government, and now the newly elected liberal government, have been pushing back and saying, "You're not increasing health care spending at the rate you're asking us to increase the transfers, so you're going to have to show us you're doing more before you are going to get more money." Parts of the country are saying, "We really need more money." That would be the Maritime Provinces and British Columbia, because we have older populations. In the Atlantic, their older populations are caused by young people leaving, and then British Columbia, they've got an older population because old people retire there, me included.

Another issue that isn't on this slide is universal prescription drug coverage. At the moment, drug coverage is a private-sector matter. You might get it through your employer, or you might have to pay for it yourself, but there are a lot of people now pointing out that we as a society could save money by having a single buyer, single-purchaser prescription drug coverage.

We were asked to comment on the use of your home for equity and retirement. That is a pretty rare event still in Canada. It doesn't happen a whole lot. What is more common is to downsize or move to a smaller town or a less expensive town and bank the difference, nontaxable capital gains, but it's also the case that, for many Canadian elderly, you can't leave home because your kids are still there. When you're 55 and 60 and 65, they're still there, and I think this is an important issue.

The next slide shows the average exit age from the labor force that started to rise at the turn of the century. So without any legislation—because the legislation that said we're going to increase the age of eligibility wasn't even going to kick in until 2023, and now it's gone—but without any legislation, people are voting to stay in the labor force longer. Now, this might be good news. People might be doing this because they like their job or they enjoy working a bit. Or it could be bad news. They haven't saved enough, so they have to work to put some more money into their retirement plans. But it is a reality. People are staying in the labor force longer, even without government intervention. So those are the headlines from Canada.

ANNA RAPPAPORT: David?

DAVID SINCLAIR: Thank you very much, and thanks for having me. It's interesting coming after Canada. I'm presenting tomorrow some new research we've got on the global savings gap, and Canada is one of only a small number of OECD countries that doesn't have a savings gap for future generations. Okay.

I'm going to talk very briefly about seven challenges that I think we've got in the U.K. in the context of aging, to open up discussion. The first one for governments is how the hell do we pay for that, whether it be health care, social-care pensions—and this is the best graph I've got to exemplify, and sorry it's so small, but essentially what this shows is by age, tax revenue, and expenditure. So what you see is between our 20s and our 60s, essentially we pay more in tax than we get back in services. When we're younger and when we're older, we get more back in services. Of course, the problem with aging is what happens is you end up with more people at this end and fewer people here in the middle. So there is a fundamental mismatch for governments, and how we continue to bring in enough money in the context of aging is hugely problematic across Europe.

Second challenge is saving more, and it's been alluded to, but we've had actually some success in the U.K. Over the last couple of years, we have seen a dramatic increase in the proportion of employees with workplace pensions. This is down to enrollment. Essentially, 10 years ago, government started looking at this picture here, which is DB pension schemes, looking at the decline, and said, "Actually, we're going to have to do something." Ten years ago, the Turner

Commission was introduced, leading to the introduction of auto-enrollment and a recent increase in savings rates. However, whilst saving rates have increased, the amount people are saving remains low. It's a few percent of salary. So actually people who were—younger people today, if they save their 3 or 4 percent plus their employer contribution, are not going to be rich in retirement, but we've seen some good moves, the next stages of how do we take this further. Of course, the context, the economic context, is worth flagging. Actually, with low wage growth, younger people are seeing lower real wages than their predecessors. Returns on government bonds are down, and we are witnessing a growth in the number of part-time employees and those without contracts. Actually, the future for younger people in terms of accumulation actually isn't particularly good.

Third challenge, how do we deliver workforce, and we've got a bigger problem in Europe than the U.S. certainly had. We're facing skilled shortages across huge sectors of the economy, whether it be health and social care, or as here, Indian chefs. We can't—we're allowed to bring in Indian chefs under our migration rules, but we're not allowed to bring in Indian nurses, because it's a gap we have in the economy. Germany, prior to last year, faced the biggest challenge in terms of skill gaps in Europe. Just to pick up on your point around working longer: Working longer might play a part of the solution, but it's worth saying, actually whilst we have seen growth since the 1990s in the proportion and the number of people working until 65, we're still a lower percentage, lower proportion than we were in the 1960s, and 100 years ago seven in 10 men worked at 65. It's now one in 10, and we used to have a lot more manual jobs. So I would say, let's not get too excited about recent progress.

Challenge four, how do we get older people to spend, was a big question here for the insurance industry, but actually what it looks like is younger people tend to overspend, older people underspend, and our analysis shows that older people in the U.K. are underspending by 48 billion pounds a year. Most of that is sitting in current accounts. The end of annuities is not going to help this group of the population, but it's a major challenge for our economy. We can't have the vast majority of wealth in this society sitting in bank accounts and not earning money. So how can we create the right sort of products to do this?

Challenge five, and this has been touched on before: How do we deliver health and care?

If my boss were here, she'd say, "Actually, we haven't got an aging problem, we've got a dementia problem," and I probably should have added this as a specific challenge, but social care in the U.K. is an absolute mess. It's funded privately by most people, but most people don't know they have to pay it, so people get very horrid shocks at the point of which they come to need social care. Our health care costs are continuing to increase.

Then finally, and actually in the U.K., there's a lot of debate around housing wealth, which is one of the reasons we wanted to talk about it in this session. It's partly because there is huge amounts of housing wealth held by all the people. So all the people in England alone hold something like—it depends on how much houses are worth today, but last time it was looked at, it was about 1.4 trillion pounds in housing wealth, and yet a lot of those are poor, living in poverty. Equity release has gone through ups and downs but certainly offers some potential. Downsizing offers major potential, but also your point from earlier: Actually, if you haven't gotten an alternative house near where you live, smaller houses, then it's a problem, and of course, if you end up taking the smaller houses from other, younger people, you've solved some of the housing problems we've got.

So how is government responding? Actually, relative silence. We've had pension freedoms, which have essentially ended compulsory annuitization. We might want to talk about that. Government is talking about the next wave of increasing state pension age to deal with the cost. Government's done huge amounts of policy work trying to encourage older workers. So older workers—the story on older workers has changed, [from] "we should let people retire" to "how do we remove the barriers to working longer?"

Then, finally, just the interest in infrastructure. We've got a major problem in the U.K. with productivity. Apparently, we could work one day a week fewer than the French, and they'd still be more productive than us. At the same time, it is difficult for government to pick infrastructure winners. There was a brilliant piece on the [BBC] World Service about the "bridge to nowhere" in Alaska, which cost huge amounts of money. In China they built entire cities. In Spain they built airports. Government isn't very good at doing this in a lot of occasions, and the problem we've got in the U.K. is there is an absolute desire amongst the insurance industry and government to try and build our way out of this, but the only things that we can do that are big enough in scale are to build big train lines, which are very controversial; build big airports, which are very controversial; build houses in the southeast of England, which are very controversial. So we're left with more tower blocks in London. So at that part, I'm going to stop.

ANNA RAPPAPORT: We have set the stage and shown you that there are some of the same themes across countries, but at the same time, there are also some very big differences. We will now move into an interactive discussion.

I will start with this question: What really concerns the public the most? What do people care about? Does it vary by population segment? John, maybe you'll lead us off in thinking about this. What's the biggest issue from the point of view of the public?

JOHN CUTLER: Thanks, Anna. For 40 percent or thereabouts of the United States population, I think it's fear, change, uncertainty. You see this around cultural issues. You see it around immigration. Definitely job loss, stagnant wages. Actually it's not just in the United States, [but in] other countries—Brexit, for example, in the U.K. You've got Le Pen in France, Duarte in the Philippines. I think Putin in Russia does well because he recognizes the angst and the concerns and the worries in the Russian people. So you've got this worldwide phenomenon that I think many people thought could not come to the United States. But if you go back to the Republican Party and the Democratic Party interaction the last six years, you can see that that tension was there, and I don't know when it might dissipate. The Republicans will have to deal with the same sorts of issues.

I don't know for our issues, [the ones] that we care about: retirement policy, health, aging, those sorts of things. I don't know that there will be space for the Republicans to focus on that, so I'm not sure where we as a country are going. Maybe we all go to Canada and solve our problem that way.

ROBERT BROWN: Want me to jump in, Anna?

ANNA RAPPAPORT: Sure.

ROBERT BROWN: I have this feeling that Canadians look around the world, and they say, "Hey, things aren't too bad here." So we don't have, in my mind, the level of concern that many other populations have. What concerns the Canadian population in a context of today where we are meeting and talking about this, I think it's "What are the costs that I face as I get to a certain age that the government is not helping me with?" So long-term care, prescription drugs. The government health care system in Canada is only 70 percent government. It's 30 percent you pay privately either through your employment plan or out of pocket. So all dental, all vision, all drugs, long-term care are not covered by the government. So these are the concerns.

Having said that, I think we then ask the question "Can we do this in a way that is sustainable?" If you look at the new expansion of social security, it's fully funded. So it's sustainable; there's no transfer of debt to our kids and our grandchildren. At the same time, nobody wants to pay more and more and more taxes.

Canadians see a place for government. I think we see more of a place for government in Canada than you might down in Florida and Washington, but there is a limit to how much we're willing to pay. So how can we do this, will it save me money in the long run, and is the government the best way to do it?

DAVID SINCLAIR: I think it's worth saying in the U.K. we've got very low unemployment, almost full employment in huge bits of the country, yet there is undoubtedly, as what came from Brexit, worry about something. There is anxiety, and the bit of it is the wage growth, and the low returns on investments. There is a group of people who are just about managing, and government's gotten quite interested in this group. They've got a bit of money, they're not poor, but they're just getting by, and how can we support them.

I think, in terms of what is the biggest concern, interestingly I don't think we've got a strong enough aging lobby to put this on the agenda and put some of the issues we're concerned about on the agenda in the U.K. I was with a group of older people a month or so ago, and with a politician, and I said, "So what's the biggest issue for you?" And four of the 10 people decided the biggest issue for them was too many cycle lanes. I think that we've got a group of the population—

ANNA RAPPAPORT: Bicycle lanes, right?

DAVID SINCLAIR: Yeah. Basically, we have a group of the population, you know, given the state of social care in the U.K., actually we've got those older people who are active and not particularly represented. So we're not getting the voices out there. That said, the one issue across all ages and generations which appears to be very strong is health. There is—the conservative government has tried to play with health. There is a recognition that health costs are going to have to increase, but it's proving—even in the world of, sort of, so the populist world that we're in at the moment—touching the health service is a no-no for almost anyone at the moment still. It's politically very difficult.

ANNA RAPPAPORT: In the Society of Actuaries, we do research every two years to find out about the concerns of people specifically with regard to retirement, rather than their big-picture concerns. In the last survey, in 2015, we focused on shocks. We found that the committee's expectations did not match the responses in either the focus groups or survey. There were several things that we expected people to plan for but the respondents said were unexpected and much more like shocks. Two big examples were larger home repairs and dental expenses. That was quite interesting. It was also quite interesting through several rounds of studies that the personal planning horizon is not that long. Many respondents indicate that one of the ways they want to deal with unexpected events is "I'll worry about it when it happens," which is very different from the way actuaries think about this.

I'd like to move us on to another question, and then we'll open the discussion to the floor. So one of the comments in our opening statements—I think it was Rob from Canada—said, "And we want to make sure when we changed this that we wouldn't have intergenerational transfers." So my question is what intergenerational issues have surfaced, and how important have they become? Do we have any outlook for what impact they'll have on the direction that things are going? David, can you start us?

DAVID SINCLAIR: So this is becoming a big, big public-policy issue in the U.K. We have had massive success over the last 15 years in tackling pension and poverty. Fifteen years of pension and poverty was a major, major problem. We still have a problem. It's 1.6 million older people living in poverty, but compared to where we were, we've made big gains. Of course, at the same time over the last six or seven years, the relative wealth of younger people has declined, and we've seen cuts to younger people's benefits, whilst older people's benefits have been protected by a triple law. Our pensions have been protected. This is causing more and more political concern about how we can ensure there isn't a young-versus-old public-policy environment. And in some ways, it's taking us to a very bad place from the point of view of debates, because, of course—. So I think there is just a risk in the U.K. that we're going to see a backlash over the next couple of years in the progress we make on pension and poverty where it turns around.

JOHN CUTLER: Actually, if I could build on that, because I think income disparity in the United States is becoming more serious a problem, I'm not sure we know how to address it. But I can see some of the programmatic issues coming into play. So I mentioned Social Security; it's going to have the shortfall in 2033. Okay, how do you fix that? Well, one fix would be to increase the tax on the working population. So now you're moving money from people who are working, meaning younger people by and large, to older people. So it exacerbates this intergenerational issue while to some extent trying to deal with income disparity, because helping Social Security is helping, by and large, poorer people.

I think that's going to be an interesting topic to follow as we go forward the next couple years. Definitely, if it had been Democratic leadership, there would have been more interest in doing something around the issue of income disparity. I'm not sure that the Republicans will focus on it quite that way. But again, if they're worried about people losing their jobs in the Midwest, that's the kind of thing where you actually—by helping people retain work—will help to some extent on the income disparity issues.

DAVID SINCLAIR: Can I just add? I think younger people in the U.K. are paying the DB pensions of older people, and they can't expect the same levels of pension returns when they're older, because they're not benefiting themselves from those pensions. So that, in effect, is pushing down wages of younger people as well.

ROBERT BROWN: I don't think in Canada we see poverty amongst the elderly as an overwhelming issue. It's around 6 percent, and a lot of that is in the immigrant community. We really revamped the Canada Pension Plan tier 1 back in 1996, and it seemed that they did a pretty good job. Canadians have a great deal of faith in their social-security system. It isn't about to grind to a halt in 2031. It's sustainable for the next 75 years, and that's only because the actuarial projections stop at 75 years. Further, the new tier of benefits will be fully funded, so there's no intergenerational transfers.

I think some of the transfers are softer and not as clearly seen: kids living in your basement for what seems to be forever, and grandma and grandpa being inexpensive day-care providers—day care is very expensive for young families. There's a lot of wealth transfer in terms of helping with the first mortgage, and the "bank of Dad" is not an uncommon phrase.

The flip side of that, and one that I am now experiencing and don't quite understand, is all the discounts that kick in when you turn 60 and 65. I mean, I can go to movies more cheaply than anybody else, and I get transit discounts, and I get Tuesday-afternoon specials at the drugstore. I don't understand these things. I've got more disposable income than I've ever had in my whole life, and I'm getting discounts every time I turn around. I'm not going to refuse them, but it is a strange inter- and intragenerational transfer.

ANNA RAPPAPORT: Rob mentioned the bank of Dad, and this was a finding in research conducted by Age Wave, In the Age Wave study on the family and retirement, they talk about the person who is the family bank. There's a recent report from EBRI, discussed in an article in the September *Pension Section News*, on differences in spending by age. One of the important points that surprised me when I saw it was that family transfers are common among the elderly, and that most often, it is the older person making a transfer to their children.

Do you think that there is more money going from children to parents or parents to children? So hands up for children to parents. Hands up for parents to children. You all are right. Most of the hands are parents to children. Among elderly parents, there's still a lot of money being transferred, multiples more than the other way around, and in the shocks, one of the things that showed up in the shocks was that there were situations where the child is unemployed, the child is ill, the adult child, or the adult child gets divorced, or there's a problem sending grandchildren to college. There's a lot of money going from retirees to the next generation down.

DAVID SINCLAIR: We did some research on that a couple of years ago, and we're seeing increased grandparents giving to grandchildren—partly, of course, because actually their children are now in their sixties and don't need the money, so actually giving it to their grandchildren makes more sense. One of the motivations for grandparents doing this is to retain control. They want to see their children spend the money. They want to see the children have fun, so that's happening.

ANNA RAPPAPORT: Okay. So we've discussed our first two questions. If somebody from the audience would like to contribute to the discussion on either of these two questions or has a related issue to ask about, please come to the microphone, and you can either ask us a question about them or comment. I see we've got Jim. Please identify yourself for the tape.

JIM TOOLE: My name is Jim Toole, and David, you used a term which I'm not sure is in our lexicon here in the U.S. It's called social-care funding, and I'd like for you to amplify on that and what it means to you, and then for Rob and John to see what the parallels are in our respective countries. I also heard you say that something was a mess, and I missed what that was.

DAVID SINCLAIR: So it was social care that's a mess. So we make a very clear but completely unhelpful, and it actually isn't really very clear at all, distinction between paying for health and paying for our care needs as we get older. It becomes very complicated because there are certain health-related conditions that have care, and you know, the NHS [England's National Health Service] pays for some care. But in the main, the state pays for pretty much all of your health care needs in the U.K. but almost basically none of your social care if you have an income of above about 20,000 or assets of above about 20,000 pounds. So the vast majority of the older people, and there is a worry here, are finding themselves, if they need care—essentially, it is very quick to spend down their money.

So a care home in the U.K. costs about over 1,000 pounds a week, 1,200 a week. It's very, very expensive. If you're there two years, that's your house and your entire assets [spent on] domiciliary care, day care. We're struggling to get employees, we're struggling to get staff, and people are getting pretty poor services. So we've got a mix of a poor service being delivered in social care by a predominantly low-skilled and unvalued caring community and actually a fully funded health care.

So as a result of that, what you have is social care is putting pressure on health care, because doctors are not able to get people out of hospitals. Over 20 years, we've had royal commissions' reviews and tried to work out how to pay for social care and deliver it. One of the problems is that we rely very heavily on volunteer caregivers, and there is a suggestion that if government properly funded social care and as a result people stopped caring for their moms and children, it could double health care costs, because people will—. So social care is a mess, and at the moment it doesn't look good.

JOHN CUTLER: Yeah, actually the United States is very similar. You've got something like, according to AARP, $500 billion in uncompensated caregiving. So the default system here is same thing: You have health care delivered but not in homes, so it's mostly people who are adult children or spouses, and if indeed you were to transfer the responsibility to the government, a huge amount of money.

Having said that, there is some hope. There's a bipartisan coalition around caregiving in the Congress, which is looking at different proposals to support the caregiver system. Just a little bit of training might help them do better, because a lot of these people drop out of the workforce, [so] they lose Social Security credit. So giving them credit for Social Security, for doing the uncompensated care [helps]. So there's a number of initiatives trying to make that part of the system stronger, as opposed to moving it over to the government.

ANNA RAPPAPORT: I want to jump in and say that Friday morning, there is a session on the changing face of elder care with Phyllis Mitzen, who is here this morning. So I think we'll have a related conversation about that. I don't know, Rob, did you have anything you wanted to add to that?

ROBERT BROWN: Yes. How many people get upset when they see the suitcases coming into the airplane and running down the aisle? Does that upset you? I mean I now take advantage of the fact that I'm a frequent flier, and I get to get on the plane first so that I can get my little handbag up overhead; otherwise, it's impossible. Why did that happen? Well, because you have to pay for your luggage now, unless you're a frequent flier. It's the same thing in healthcare, and I'm just going to say ditto for the comments that have been made. We've got all kinds of elderly people inappropriately housed in acute beds in hospitals who should be in long-term care and community care, but the one is paid for by the government, and the other is not. And guess what, you get the perverse results, and everybody knows it, but we don't seem to be heading toward a solution with any alacrity at all.

ANNA RAPPAPORT: I want to make a comment. I think I'm now counted in the elderly. I'm 76, and in our household, we've had some challenges this year. I had a broken elbow, and we had this period of weeks in our household where no one in the household could take the garbage out. So the problem of care goes beyond the issue of health care. Taking the garbage out and going to the grocery store are examples of simple household tasks that people need support for. They go far beyond the health care. I think there was a second part to Jim's question about mess.

FROM THE FLOOR: He got it.

FRED VETTESE: Hi. My name is Fred Vettese. It seems to be that quite a number of the problems of, at least the financial problems of aging could be solved if people—I would say this carefully—simply worked longer, but of course, it's not that simple. First of all, all the 60-somethings I know, they would like to stay engaged or active in the workforce, but certainly not having the grind that they've had all those years. They don't want to work eight to six or nine to five anymore. They want to be able to have a couple afternoons off, maybe work 10 or 20 hours a week. That would be one of the issues. Another issue is, I know that employers tell me quietly they really don't want older workers—I say those 65 and older—around anymore, because they're not anywhere nearly as productive as they used to be, they won't adapt to new technology as easily, they might be away from work more often, they're more expensive for benefits, and so on and so forth.

It seems like most of these problems—and the other problem, too, of course—the state pensions and company pensions are all kind of based on people working full-time until a certain age and then not working at all, and that's—. I know, Anna, that one of your topics has been phased retirement for the longest time. Phased retirement would solve a whole bunch of problems, but I don't think we can actually do it very easily. First of all, employers can't really measure output very well in a white-collar kind of environment. You don't know if someone's 78 percent as effective as they used to be, but if you did know that, you'd be quite happy to pay them 77 percent of what they used to get. So I guess my question is, How do we implement phased retirement in a way that actually works? Because I don't think employers can go to an employee right now and say, "I'd like you to start working only three days a week as opposed to five, and I'll pay you 60 percent without it being constructive dismissal." So that would be my question.

JOHN CUTLER: Could I jump in? Yeah, the agency I retired from, U.S. Office of Personnel Management, was responsible for developing the phased-retirement rules for the federal workforce. So you have the potential of doing something with 2 million people, and I think the first year, 12 people signed up or something like that. Employers, including the federal government, don't really know how to handle that, as you said, in terms of a glide path.

So what I think people do: Two things happen. In a full economy, I think the older workers stay on, but when there are economic problems, they're the ones that are first shed. Or people decide they're just tired, and they move out of the current job and find something either volunteering or paid that's less time commitment and less money. I think one of the good things, if you wanted to look at something that's a positive, I think the change in the economy—the fact that you can create a virtual office—[means] you don't have to have an employer. You can do what I do; I have an office at home. I can function out of that home for the clients I have. Then on the corporate side, the good thing about outsourcing and the fact that companies are not willing to retain workers like they did in the past: it gives an opportunity for people, young and old, to be contract labor.

So I think the marketplace is going to be a lot more fluid, and within that fluidity, you'll get the concept of people ratcheting down in terms of their work if they want to do that. But it's going to be messy, and it would be better if it was done more in terms of, like, phased retirement or other ideas where you could actually do a glide path. But I think it will happen; it just will be more messy than we would like.

ANNA RAPPAPORT: I have a couple of examples. If we look at nursing, I don't think you find many real formal phased-retirement programs, and if you ask them about phased retirement, there are a few places that say they have it, but most don't. If you actually look at what nurses do, it is a different story. Nurses have options where they can work a variety of different schedules and different numbers of hours a week. If you ask, "Is it common for people to change the roles they have and to scale back?" I think you find that it is. Oh, yes, and that was true 15 or 20 years ago. So there is a situation where they have a variety of options, and they take advantage of the options. So that's an example. It's interesting.

I also spend part of my year in a gated community in Florida. It's not a retirement community, but there are many retired people or partly retired people. Small-business people and some farmers are in Florida in the winter, and they'll tell you about their business. If you ask, "Have you given up your business?" it is common to hear, "Oh, no, my son or my partner is working with me." They are often gradually, over a period of many years, changing the split of responsibility and scaling back. Some people are doing consulting or have new jobs, often part-time.

So there are situations where people are able to do it on their own. I think there are not very many formal programs. My view is that retiree pools work quite well where they're offered. However, in the United States, there are legal problems that make it hard to do some of this stuff, and there are some policy fixes that could help a little bit. However, I don't see big organizations doing a lot to foster this as much as people finding their own way. Mostly, I just see quite a number of people finding their own path in different ways, but it's a lot harder to do than anybody knows.

JOHN CUTLER: Yeah, I think we really have to get in—and sorry for using hackneyed phrases—but there has to be a paradigm shift. You have to have progressive employers to begin with. A 65-year-old isn't going to be able to be a firefighter, but a 65-year-old can be an employee of the fire service department. They can do building inspections. A 65-year-old may not be appropriate to be an active police officer, but that doesn't mean that they can't be employed by the policing services. They can go on dispatch or lots of other things that don't require running and chasing down bad guys in the middle of the street. So you have to have that flexibility, but you have to have the mind-set first to have that flexibility.

ANNA RAPPAPORT: But I also think you have jobs that require huge amounts of human capital, of firm-specific human capital, which is really valuable. This is in sharp contrast to other jobs when a change is very easy.

DAVID SINCLAIR: Can I just very quickly—I think you're absolutely right. If we increased in the U.K. the average age at which people retire by about three years—not the state pension age, the average—we wouldn't have a fiscal aging problem at all. For me, the issue isn't working past 65; it's how we stop people falling out of the workforce at 50. So the reason our age of retirement is 64 is because we've got millions of people who stop working at 50 because of poor health. Poor health is the absolute driver, so for me, the focus has to be how we can improve health in our 40s and 50s, so actually people then are able to continue. I don't entirely buy the sort of physical arguments, because I'm doing the half marathon on Saturday, there are some 65-year-olds who are very, very fit, and as I said earlier, we used to have seven in 10 men at 65 working. This was when all of our industry was physical. The problem we've got at the moment is actually we're getting rid of physical activity from the workplace anyway, and no one's doing it, so it makes us, you know, less able to continue to do it for longer.

There is an aging, a growing interest in this idea of a new life course where we might learn for a bit, then we might study, then we might work for a few years, then we might have a year off, then we might learn again. At the moment, we haven't got financial products that allow us to do this, and I think this is an open question for the industry. You know, if there is a desire for us to work more years—perhaps work into our 70s or 80s but do it completely differently, work fewer hours for our entire life, take years off when we've got children—how can we make that happen? And I think there is an aspiration, but how do we make it happen? So I think it's a challenge.

I just want to pick up on the sharing economy. I think the opportunity for older people is a risk for younger people. For younger people, there is a risk that they're going to stop saving because they're self-employed. For older people post retirement, there are brilliant opportunities.

ANNA RAPPAPORT: So I think there is potential for more phased retirement, but we don't institutionally support it very well, and I'd like to see more of this. We'll take a question from Ted, and then we're going to come back to some of our pre-prepared questions.

TED GOLDMAN: I'm Ted Goldman. Three different countries, three different cultures, three different public-policy approaches, and looking at retirement specifically, the outcomes seem very similar: people not saving enough for retirement, people not knowing how to draw down their savings once they get there. Is this a human behavioral issue? Is there a policy approach that countries can support that is going to work, and if so, what would that look like? I know there's some recent experience with automatic features going on, so maybe it's too early to tell what will actually work.

ROBERT BROWN: I'll start. I thought it was interesting in the Canadian context when we started to talk about expanding social security. The small employers were just adamantly opposed, yelling and screaming at any chance they got a microphone, saying, "Do not expand the Canada Pension Plan; we can't handle the contributions." The reason that the Canada Pension Plan was expanded was because those same people weren't providing workplace pensions of any kind, not even defined-contribution plans. So I found it very difficult to have a group of people saying effectively, "We're going to let you freeze to death in the dark." That's not Canadian. So when the private sector failed (those are my words), but when the private sector failed, the Canada Pension Plan expansion became palatable.

FROM THE FLOOR: I was wondering whether there's been any action or any talking in the

U.K. and the U.S. about longevity annuities for people age like 75 or age 80 that will be fully funded and funded by workers of employers?

JOHN CUTLER: Well, in the United States, the idea of the longevity annuity is private sector, so it just allows insurance companies to go forward. I think the federal government was hoping to incentivize that because the industry wasn't particularly thinking that this would be a market that would succeed. I think part of the problem is annuities themselves are products that people don't really understand and deal with. So the concept of having the longevity annuity—having money kicking in at, say, age 85—is a good concept, but it's still early in the day in terms of whether people will buy that. But it's definitely private sector only. There's not an idea of doing it as a government-sponsored product at this time.

ANNA RAPPAPORT: One of the Diverse Risk Essays that the Society of Actuaries recently published includes a proposal there to expand Social Security by having a longevity annuity attached to it. John Turner's an economist who's the author. He's proposed that for a long time in different settings, but I don't think it's on the serious policy agenda today.

Let's expand this discussion to include such proposals. Do you have any other comments about potential directions for income-security policy or things related to income-security policy, or for contraction of the move in the right?

We are interested in both similarities and differences. There are a number of countries that have experienced the same basic demographic issues, so that they are very similar in a number of different countries. The social-benefit systems vary quite a lot, and the solutions vary quite a lot, but the underlying basic demographics do not. Also similar are the underlying issues of behavioral finance issues, helping us understand that people are not very highly educated to make good decisions about financial issues and to think long term. I believe you would find a lot of commonality about that. If you look at the role of the family across different parts of the world, the demographic issues get much more diverse, and the solutions can be quite different. There are particular differences between industrialized countries and other countries. Do you all have more comments about income security and old-age policy?

DAVID SINCLAIR: And just to add on to that final point around similarities and differences: One thing that is apparently similar from the panel we have here is how "white male" the pensions world is, and one of the interesting issues we've got is actually at—slightly tongue in cheek—huge interest, essentially. The pensions industry in the U.K. is almost entirely men. Our engineers are almost entirely men, slightly obsessed with building very box-like and tiny technical robots. Our care industry is mainly delivered by women. I think actually what we need to do is get a few more women into the pensions industry and a few more men into delivering social care, and actually doing that might help us a little bit with some of these.

[With] income security particularly, there's a really interesting thing going on in Europe at the moment. There's a referendum, I think in Switzerland, a couple, few months ago about an ideafor basic income. If you notice, essentially, it's what you do is you get rid of all financial benefits, everything, and replace it with a basic income that everyone in the country gets, no matter what your age or need is. Finland has just announced this week they're doing a pilot with a thousand low-income individuals where they're doing this, and there is a lot of interest. It has fans on the right and fans on the left. It could potentially be less administratively burdensome but also allows people to have a basic income but contribute voluntarily as well as do paid work. Now, it will be interesting how that debate goes, but undoubtedly over the last year in Europe, there's been a lot more interest in that, and it will continue to become bigger.

JOHN CUTLER: What I would take at a really high level, I kind of view this as a 2.0 versus a 1.0. And by that I mean this: Okay, so people have had historical periods where there's been shortage of income going hundreds of years, thousands of years. People prosper; other people don't. The 1.0 kind of solution was, like, when the government created Social Security and then later Medicare, which even though it's a health program, enhances people's financial status as well. So the 1.0 kinds of solutions are trying to have a government program as a support.

But I think 2.0 kinds of things are going to try to go in and say, "Okay, that's not enough." If you're going to have responsibility to take care of your pensions now, your investments, your savings, then what mechanisms would allow people to do a better job? Because the answer to one of the questions a couple questioners ago [is that] I think there is something in people's heads. They just make poor financial decisions across the board. How do you try to educate them to do a better job, but also create a system that supports that unseen—a platform like the auto-enrollment stuff? I love that concept, because you don't have to do anything as an employee; your money is just shoveled over there. In fact, the incentives—if there's a little bit of contribution, you get extra money just by giving some of your salary into the, putting some of your salary into the account. So we know that there might also be mechanisms—private-sector mechanisms, if you will—that also work.

So I see over time, particularly in the United States—because we're not going to see an expansion in the 1.0 kinds of things, Social Security or Medicare—I see the best bang for our bucks would be to try to do a better job in the 2.0 kinds of systems to take care of people's needs.

ROBERT BROWN: I'll add one thing about income security. In Canada, there's a shift now taking place away from fully guaranteeing defined benefits for public-sector workers to target benefit plans, and in particular making your cost-of-living adjustments contingent upon the funding health of the plan. One province that had problems with its provincial plans and also a lot of its municipal plans was New Brunswick. They've gone right across the board to plans called risk-shared plans, and it is truly risk shared. So the legislation has now been changed, and the income tax act is being changed to allow for target benefit plans, where benefits—even accrued benefits—can actually be reduced. I kind of like the concept. It could be a way for private-sector employers to come back into a DB world, but that remains to be seen.

ANNA RAPPAPORT: I remind people that in the U.S., the Jimmy Carter administration was the last time the country had an official bipartisan big project on national pension policy with the President's Commission on Pension Policy. Today we have very fundamental differences and opinion about basic policy, but we don't seem to be willing to have a conversation and then compromise about those issues. To me, that's a really huge issue.

There's going to be a special issue of *Benefits Quarterly* on this topic within the next year, and I'm working on an article. A part of that work I pulled out of the Women's Institute of Security's blueprint for financial security for women, and Cindy, I think it's almost 10 years old. Anyway, it's not a new document, but most of the issues in that document—they're still alive and well today. But the sad thing for me is when I look at what I think are the bigger issues, and I look at the stuff that is even being discussed in the policy environment in the U.S., several of the major issues are not on the table. There's stuff around the edges that is happening, and there's been stuff to improve defined-contribution plans. But a lot of the big-picture issues to get us back to think about this and have some framework to build on are just not being discussed, and I think it's sad. I hope the discussion will happen. I was hoping it might happen in the next few years, but right now, I'm not very optimistic about that. I'm excited about the *Benefits Quarterly* issue.

So my next discussion question builds on Jim Toole's question from before and also on the opening presentations. Our question is: What do you think is working well in the health and long-term care systems and in your country or some countries you know about, and likewise for long-term care, and also what's not working so well? One of the things as we prepared for this that we discovered is that improvements are sought in every one of these countries. We did not find examples where the view was "Everything is good." There's nobody that's got it nailed, and it's like everything is fine; everybody has a not-working-well as well as a working-well list. John, maybe you want to kick us off.

JOHN CUTLER: Yeah, well, I like the question about what's working, because up until now, it's been like we're all pathetic. It's good, because I think part of it is because most of the discussions around financing—as opposed to the actual health care delivery, including long-term care delivery—I would say things are working well. You think about smoking. Everybody used to smoke, and you'd have smoke everywhere, and now we don't. In automobiles, you've got air bags and seat belts. The next big challenge is around obesity. I have a feeling that people will probably figure out a way to deal with that.

ANNA RAPPAPORT: Well, people on Medicare, I think, generally are happy with their care.

JOHN CUTLER: Yes. So I think we do a good job but not a great job, because I know the United States doesn't rank that highly among the developed nations, but still, it's a success story. People are living longer and longer. Switching over to the financing thing, one of the interesting things is poorer people get Medicaid. Medicaid includes long-term care. So you're actually delivering nursing home care to poor people that's not available as a right to the middle income and rich. I mean, what kind of system does that? It's like, wow. So if you look at it that way, we actually deliver something on the long-term care side that's rather unique for our population.

DAVID SINCLAIR: I think in the U.K. I've touched on how badly I think we do the care side, though we have brilliant care for both family and our children, and I think we do acute stuff in hospitals really, really well in the U.K., almost without exception. If you go into an NHS hospital tomorrow and you are having a heart attack or something is going on with you, you'll get brilliant service. We actually—despite the reputation, the NHS is actually very good and very efficient. It must be efficient; we spend half the amount of money on health as the U.S. does, for example, without significant drop in quality.

I think one thing we don't do very well, and I'm not sure anyone in the West is—I'll be interested if people do—is creating a culture for innovation. And in fact, as you've seen in the U.S. recently with both Hilary and I think Donald Trump, we saw an obsession with targeting the pharmaceutical industry, and it strikes me that we need to create the right sort of incentives for the pharmaceutical industry to create new drugs which solve some of the problems we've got with aging. The problem is that, you know, it costs them billions of pounds to do the research—one in however many gets through their very tough regulatory challenges—and then immediately, governments say, "Oh, you've got to give it to us cheap." I think that we've—I should declare I have some funding from the pharmaceutical industry, but I don't think it has my view—I think there is a genuine challenge about how in a world of aging do we create the right sort of incentives for those sorts of industries and the biotech industry to get the right sort of return on their investment. So I don't think we're doing that well yet.

ROBERT BROWN: I'll echo some of those comments for the Canadian scene. We do acute care really, really well. If you're having a heart attack, you'll get really good care.

I think, unfortunately, we've gone for a long period of time thinking that we're doing well because we can show that we do better than the U.S. per dollar of expenditure. What we're now finally starting to realize is if you look anywhere else, we're not doing very well. So if we compare ourselves to the European countries, Canada doesn't do very well. How is it we don't do very well? Well, we're spending 11 percent of gross national product on health care, and we're not getting the payoff that France gets for less, or Japan gets for less, or many other countries, and we have a growing concern as the population ages about wait times. I waited 53 weeks to get a new hip, because it wasn't going to kill me, and there are tons of examples like that, and people aren't very happy with the wait times.

The U.S. usually responds to a request for a more Canadian health care system—they say, "Yeah, what about the wait times?" Well, you're right; it's not good. So we do some things very,

very well, and we do other things very badly, and we can learn. There are a lot of places in the world where we can learn lessons.

DAVID SINCLAIR: I was going to say I think we're actually overmedicating and overtreating, and then we have this thing called midlife health checks. It's about helping people in their 40s and 50s. You get all these very basic health checks, and of course, the academic evidence of it shows that what happens is that people get diagnosed for things that they would never have known they had and didn't need to be treated for, and you end up with too many false positives. So you end up with people getting treated for the wrong things, and I think that there is something about how do we ensure that we're not overmedicating them. We're making a bit of progress in the U.K. on antibiotics, but for years antibiotics have been the solution for everything, and it's now a little bit more difficult to get them, but—

FROM THE FLOOR: I'm Dan Bailey. I just wanted to ask Robert Brown about nursing home care, which is the final stage of retirement for many people. As John mentioned, in the U.S. we have seniors who qualify for permanent assignment to a nursing home, and once they spend down their assets, under Title XIX, the government will pay for it. And David, you mentioned social care, or custodial care, is a mess in the U.K. I'm wondering how that works in Canada.

We've tried some new programs in the U.S. like managed long-term care, managed long-term services for people who are dual eligible. These are Medicare/Medicaid dual-eligibility programs where we try to provide custodial services for people with deficits in their instrumental activities of daily living, or ADLs, and the state has particular tests to measure if people meet these criteria. If they do, they can remain in the community longer, and they can have these essentially free supports that they don't have to pay for. Is there a similar system in place in Canada and/or, David, for you in the UK? How is this handled in terms of people who need to be permanently assigned to a nursing home in other nations outside the U.S., and who pays?

ROBERT BROWN: It's not organized in the manner that you alluded to. It's sort of organized through the side door. If you qualify for welfare post-65, there's a government benefit called the Guaranteed Income Supplement, which is actually quite a bit of money, and then if you've resided in Canada for a stipulated period of time, you get Old Age Security benefits, and you probably get some bits and pieces of CPP, Canada Pension Plan, or Quebec Pension Plan. Regardless, you can put together about $20,000 a year and feel fairly certain that you'll have that sum of money. So there are institutions that aren't marvelous but are OK that will care for you for $20,000 a year, and then we have a private sector that is for people who can afford more than that, but the government has not really gone into organizing long-term care, end-of-life care, except through the side door. But it is being talked about more and more.

DAVID SINCLAIR: Yeah, I think it's similar in the U.K. There aren't many care homes for residential care now that cost less than 1,000 pounds a week. So you're talking 50,000 to 60,000 pounds a year. Some of them are brilliant. There has been a fold in the number of people, despite aging, going into care homes, and part of it is cost, part of it's staffing, part of it's regulation.

We've had attempts in the U.K. to create a market for care insurance, and they've mainly failed. You can buy in the U.K. immediate-needs annuities, so at the point in which you need care, you can as an individual buy. They tend to be relatively expensive. They might be 80,000 pounds at the point at which you retire, but if that's going to keep you in the care home for—and you think you're going to live for—a few years, then it's worth it. But we had a very short period where some insurers were offering prefunded care, and there is, I think, about 20 people who've got one of these products in the U.K. But clearly there was some question not just around government's role in funding, but is there any way we can create a market for long-term care insurance that works.

ANNA RAPPAPORT: Let's build on the employment question. This is an aspect of it that we didn't discuss before. Are there opportunities for people who want to work longer and are able to do so? Can they find opportunities? Do they have problems with age discrimination? David, do you want to start us off?

DAVID SINCLAIR: I think one challenge we've got across Europe for both younger and older workers is we're creating jobs that no one wants to do, and I think the big challenge for Western democracies generally is how do we create the sort of jobs our demography now is willing to do. So the best example is I live in a community where we've had a lot of Polish migration. They've mainly come in to deliver health and social care and agriculture. We're creating loads of health and social care jobs. We've got vacancies in agriculture. We've got a huge number of vacancies in teaching, yet we can't convince people to stay on.

I think there are opportunities. How do we get all the people, perhaps retired actuaries, to get into teaching for the last five years of their career? There's got to be opportunities like that. But I think there's a broad direct economic question for governments about if the jobs of the future are in essentially social care and no one wants to do this, how do you match that circle?

JOHN CUTLER: I have a wonderful idea. Okay. So we need more people to deliver care, and we have, like, 2 million people in prisons, so [employ them]!

DAVID SINCLAIR: We've got a big problem in the U.K. We've got prisons in the U.K. actually that have got social-care wards. They've got care wards, because we've got more and more older prisoners.

JOHN CUTLER: Yeah. I think, to be more serious, I think we have not grappled well with age discrimination. I think it still exists, and it does hobble the ability of older workers to find or keep employment that they like. I think what happens—I mentioned earlier that the good side of the virtual economy and things like that might be [more opportunities] to work, but the downside is you may be working 20 hours a week instead of 40 hours a week, and that may or may not be enough income.

ROBERT BROWN: I don't think there's any capital-D discrimination in Canada, but there's still the perception that "Oh, you're 65. You should be leaving your desk and spending more time away from the office or no time at the office." One little thing, though, that has come to my attention is the fact that a lot of group benefit plans, non-pension group benefits—so your prescription drugs through your employer and your dental through your employer—automatically stop at 65. So now you have people who are working beyond 65 who lose that coverage. It's rather strange. So I'm hoping that we can shine a little bit of light on that as an issue.

ANNA RAPPAPORT: There's quite a bit of evidence that there is age discrimination in the United States. People have done studies where they've had people apply for jobs at different ages, and they've done some other experiments and analysis. So there's literature indicating that there's still age discrimination. I believe there definitely is such discrimination. There are issues related to values and perception. There are also the benefit issues you discussed.

It's also interesting to see what people do when they have a choice. One of the questions I raise with people is why is it that it's perfectly accepted for a member of Congress or a Supreme

Court judge to work until very high ages. Are these people magically different? Are these not very high-energy jobs? Our expectations are different for these jobs and university professors than for most other jobs. I was with a judge the other night, and she said, “I’m going to run again this time, but I’m not going to run any more after that, because at the next time, I’ll be age 83.” It seems that for some of the highly professional people that I know that have a choice, 80 is a cutoff age. Most people do not want to go past 75 to 80, but certainly a lot of people are working longer and doing high-energy things, but they may be in different roles. They are not in major corporate roles. It’s very interesting that the people in the arts, as well as the judges, the congressmen, often work to a much later age. If the people didn’t have it mentally, they certainly shouldn’t be sitting on the Supreme Court. [*Laughs*] So just a comment there.

One of the things that have concerned me greatly is that while longevity has gradually increased, we’ve had a tendency to try to describe retirement ages as fixed numbers, rather than a period of time between end of life and retirement. I personally think we might have had a different outcome with DB plans if retirement ages had been defined differently. Rob told us what happened in Canada that, oh my gosh, they were going to increase the retirement age, and then the government changed direction. They reversed the change. I also find that some people want to retire, collect their pension, and then they go out and get another job. To me, this is a form of phased retirement, but it’s not described as phased retirement in the literature. Moving into a different job before leaving the labor force is described as a bridge job. Academic researchers, such as Joe Quinn at Boston College, have been studying this employment pattern and its variations for years.

I’m interested in any more comments about policy and retirement ages, because I think this is something that we need to address. We can’t just let periods of retirement and benefit payment get longer and longer and longer. It’s gone too far already. So does anybody have anything to add to this?

DAVID SINCLAIR: One plea I think from the U.K. I’d say is actually we really need to start distinguishing between retirement age and state pension age. We don’t have a retirement age in the U.K., we have a state pension age. You can retire whenever you want. Most people retire below state pension age. I think the minute we confuse the two, we run the risk of an assumption that people should retire at a certain age.

The other plea is that, actually, we really need to have a retirement policy. We don't in the U.K. have any policy from government about what retirement is and should look like. As a result, we have no aspirations, and therefore we're not designing tools to solve it. And as a result, the biggest thing that all the people spend their time doing is sitting and watching the television. I think we should have higher aspirations for what retirement is like than sitting and watching the television, and actually it's what the vast majority of people, particularly in older age, end up doing.

JOHN CUTLER: It's interesting. We don't have anything in the United States as a public policy—except, of course, we do. We signal that it should be either 62 or 65. And it depends on whether you're talking Medicare or Social Security. That was one of the things going back to how you move people to the right decision making. You send a signal when you [have] 62 as the early retirement age. So if you could consolidate Social Security and Medicare, that would be nice. But I could see in the fiscal environment, it would not be consolidated down; it would be consolidated up. So maybe at 65, everybody starts getting Social Security and Medicare.

I remember there was some research done a couple years ago—I think by the National Academy of Social Insurance actually—that it was more important that age 62 send more of a signal than the 65 in terms of retirement. You get more bang for your buck directing people, changing the early retirement and changing the 65 to 66 or 67. And going back to some of the beginning conversation about proposals on the Hill, there are proposals to go up to 70. I don't think that's going to go anywhere—again mostly because the Republicans are going to be concentrating on health care and Medicare and Medicaid issues, but that's something to monitor.

ROBERT BROWN: I'm going to echo a couple of things that David said earlier on. One, you get a real impact if you can get people to stay in the workforce longer, because you take them out of the dependent numerator and put them into the productive denominator. So you get kind of a two-for-one impact, and you don't really have to get people to work until age 70. You have to get everybody to work a little bit longer than they are today, and you can give them little nudges.

There are several countries in the world now that are seeing the linkage between the age of entitlement for some of these benefits and longevity. You can't expect to receive social security for 35, 40 years. So they're putting in connections between improvements in longevity and either the age of eligibility or the size of the pension that you get. In Sweden, it's the size of the pension, because it's a defined-contribution system. They divide your lump sum by an annuity factor that is based on Sweden's life expectancy. When you get your statement, it says, "If you retire now, here's your monthly pension that you will get, but by the way, if it's lower than what your neighbor got last year, because longevity is up, then if you want to get that higher payment, here's the age to which you have to work to get that higher payment." And it's just a little nudge, and I think we should be doing a little bit more of that.

FRED VETTESE: On the subject, how can we justify discussion about changing the various retirement ages from, say, in the U.S. 62 to 65, or in Canada you can get CPP from 60, and how do we justify raising it to a higher age? By the way, 60 is essentially actuarially reduced from 65. So how do we justify that at the same time when we have public servants, and there are millions of them who have really good pension plans, who actually get unreduced early-retirement benefits from as early as age 55 and in some cases even earlier than 55? So there are major incentives given to them to retire early, and those benefits, of course, are largely funded by the taxpayer. So don't we have that issue as well? That is, when we look at what our policy is for the public at large, at the same time we should look at the public-sector workers.

ROBERRT BROWN: Well, I think that federal public sector is becoming somewhat isolated in this regard. Most of the problems are now uniquely in their pension plans; other public-sector plans don't allow for that.

FROM THE FLOOR: Like the teachers?

ROBERT BROWN: Teachers now have target benefits on their COLA, their cost-of-living adjustment, and they also have—

FROM THE FLOOR: Of their pension amount, of their early-retirement pension?

ROBERT BROWN: On their early-retirement pension.

FROM THE FLOOR: It's unreduced at age 55.

ROBERT BROWN: Well, there are two things that teachers have done. They have made their cost-of-living adjustment a target benefit, and it's only paid in full if the funding is healthy. Second, they have signed a contract that says they will pay half the costs. So if the costs become particularly extravagant, they're going to be paying half of it. That means that they're also now incentivized to think about how to hold these costs down.

I'm not disagreeing with you on your federal component, but I'm saying that from what I've seen, certainly in British Columbia, they're not retiring on full pensions at age 55. They are not. So I think it's becoming more and more isolated to a smaller group of federal civil servants, and I agree with you, we should be doing something about that.

ANNA RAPPAPORT: One of the issues we didn't talk about at all in our panel, but it's a big issue, is the dichotomy between public-sector benefits and private-sector benefits. This is a many-country issue. It used to be in the United States that public-sector employees were expected to have lower wages, and they had better benefits as part of the total package. Whether that whole idea really works any more is a very interesting question and a huge issue. It's an issue that the actuarial profession has been quite involved in. I don't think it's an issue that is specifically discussed in this conference, but it's a very big issue. Within the public sector, there is a difference between public safety, fire and police issues, versus some of the other occupations, but that's also an issue that needs addressing. A number of the states in the U.S. have been gradually making changes in their programs. Do either one of you want to add to it?

DAVID SINCLAIR: I think it's undoubtedly a big issue in the U.K., particularly perception of the very, very well-endowed public-sector chief executives on very high salaries with very generous pensions, and there are undoubtedly some, if not many. I think it is probably still the case the pay is lower. Certainly for the last five or six years, public-sector employees in the U.K. have had the 1 percent pay rise at the most. As I was talking to a fireman who is one of the fittest men I know and runs my local 5K about twice as quickly as me, and he's fit, and he could absolutely still be doing it at 50, but he's taking a good, decent pension at 50. But his argument is actually, when he started at 20, he was made that promise by the pension firm, and I think there is something in that—that actually, if we recruited people on a promise, we run the risk of undermining pensions by trying to remove it now. And I suppose I'd probably prefer we try to work at how to make state pensions decent for as many people as we possibly could, but—

ANNA RAPPAPORT: Public-sector pension promises are legally different. In the U.S., in some states, the promise is embedded in the state constitutions, and that makes the situation more complex. I have another question. We hear the term "age-friendly communities." Is that a policy issue in any of your countries? I know we're going to talk about that on Friday.

ROBERT BROWN: I don't see this happening in a planning wave at the federal level or the provincial level, but I do see a lot of communities worrying about aging in place, and being age friendly, and doing things, and then advertising these things. "Retire here" because we can give you hiking trails and bike trails, and we've got a symphony orchestra, and we've got an art gallery. I think there's finally some switches going on that "Hey, some of these retired people are the people with money, and they have been working in the big cities, and if they're smart, we can convince them that they can move to our smaller community, take that capital gain out of that house that is very expensive in the big cities, move here, and live very comfortably, so let's make it attractive."

DAVID SINCLAIR: I think there is definitely interest in the U.K. We find it very difficult to adapt our built environment in particular. We have lots of listed buildings and things; it's very difficult, but we do have walkable communities. We just did some research that showed that older people in the U.K. with certain health impairments—say, walking disability—spend significantly less money than people without that impairment. We were talking about saving; designing communities with benches and fairly basic low-cost interventions might have a significant return. WHO are doing a lot on this—the World Health Organization. There's a lot of work going on in the European Union, and I think the key driver will be a recognition, as you say, of the economic value.

I did an interview with a magazine in the U.K. called *Attractions Monthly*, which—interesting being here—is the magazine for the theme parks out there, and they were really interested in aging. And the reason they're interested is because I said to them, "Of course, it's often now grandparents who are taking grandchildren. So what you need is you need a really good-quality restaurant, as well as the cheap burger place. You need somewhere to sit while the kids are on the ride, and you need some gentle rides and some big rides."

And that's surely what I think, that when you start to see certain sectors and the tourism sectors, certain communities are brilliant. Las Vegas is a brilliant age-friendly community, because they'll take you in a bus to a place which is entirely air-conditioned, give you very cheap food, and look after you. Just like, you know; they're really good at dealing with older people. None of them will admit to being an age-friendly community, because actually there are inherent ages on them, and no one likes to be perceived to be that. But some of those tourism places are starting to get it. The older consumers have got a lot of money—and older consumers not just in the U.S., but China and other places as well.

JOHN CUTLER: Yeah, I think again, echoing the comments, there's nothing coming out of the federal government, but communities are doing some things. You've also got the commercial marketplace going to things like the age-55-and-over communities. I think at a macro level, though, people are voting with their feet in terms of regions. Florida is the number-one retirement destination, and in fact, it's actually got more people moving to Florida than the next four combined, which, in case you were interested, are Arizona, South Carolina, Georgia, North Carolina. So you've got a lot of people moving there, and then I think Nevada was one [for the people] from California. So people move to a friendlier state, either [for] tax policy or climate, as opposed to necessarily a community.

ANNA RAPPAPORT: I want to thank each one of the panelists and ask the panelists for a last comment. What do you think might be the biggest thing to watch for in policy, how might we influence results, and what does this mean to us? So Rob, do you want to make a final comment?

ROBERT BROWN: Well, I do think there is validity in the statement, that the new 70 is the old 65. I feel very healthy, and I'm very pleased that I feel very healthy. I'm not sure that it had anything to do with doctors and hospitals, but I was fed well, and I was educated well, and I've got some money in a bank account, so I can rest nicely at night. So I think that society is going to be able to live a healthy, longer life, and in my mind, in lockstep with that is talking about staying in the labor force a little bit longer.

DAVID SINCLAIR: I just have one thing. The good news is I think we broadly know what we need to do to respond to aging. I think the challenge is for governments, for industry, and for individuals that none of us think it's happening to us. Actually how—for politicians, the results of an intervention, a policy intervention, might benefit the next government or in 20 years' time.

ANNA RAPPAPORT: In closing, I remind you that if the population distribution changes substantially by age, we have a different society that uses different products and requires different services. Parts of Florida are a good example. We will need to provide these services, and we will need less of some other services. We will be needing to use people in the workforce differently. The more we can prepare, the better we will be. I'm very sad personally that we have not been able to have a good big-picture discussion of national retirement policy and that we can't do more to be thinking proactively about related issues. I think all of us can contribute to the discussion and finding good solutions.

I want to thank everyone and encourage you to come this afternoon to Bob Powell's panel, which is the second part of this program. They will think about societal issues and the private sector. We've been thinking about policy and the public sector. Friday morning, we will focus on the changing face of elder care.