



SOCIETY OF ACTUARIES

Article from:

Pension Section News

June 2004 – Issue No. 55

Single Life versus Joint and Survivor Pension Payment Options: **How do Married Retirees Choose?**

by Richard W. Johnson

A recent Urban Institute study sponsored by the Pension Section and the Actuarial Foundation examines the election of joint and survivor annuities by married adults. Using data from the Health and Retirement Study, a federally funded survey of older Americans, the research measured the share of married retirees with pension annuities who forego survivor protection and examined the factors influencing their decisions. It also measured the share of retirees whose decisions to forego survivor protection can be justified by its high costs or low benefits, such as the presence of other types of financial protection for the spouse, poor health of the spouse and low income.

The findings largely confirmed with nationally representative data what many actuaries already know from professional experience. Overall, 28 percent of married men and 69 percent of married women opt

for single life annuities instead of joint and survivor annuities. Although this choice may jeopardize their spouses' economic security if they become widowed, most married retirees appear to make their pension payout decisions by rationally balancing the costs and benefits of each type of annuity. For example, the authors found that retirees are more likely to reject survivor protection when they have limited pension wealth, they expect to outlive their spouses, their spouses have access to alternative sources of survivor protection and their relationships with their spouses are weak. Only 7 percent of married men and 3 percent of married women reject spousal survivor protection without evidence of potentially compelling reasons. The full report is available on the SOA Web site (http://www.soa.org/research/single_life.html). ♦



Richard W. Johnson, Ph.D., is a senior research associate at the Urban Institute in Washington, D.C. He can be reached at rjohnson@ui.urban.org.

Pension Section Council Summary of Activities • from page 16

approaches to providing retirement income, the various risks inherent with making decisions about retirement including the time value of money, risk of outliving assets, etc.

- **SOA Governance**

Several members of the council are participating in ongoing discussions within the Society regarding the governance review and the future organizational structure that will most efficiently meet members' needs.

- **Budget**

The 2004 budget of the Pension Section is shown in Figure 1 on page 16.

- The target goal of the Pension Section Council is to reach a level where accumulated assets equal approximately 50 percent of annual income. Consequently, we are exploring additional opportunities to support research and services to members that uphold the guiding principles of the Pension Section Council, keeping in mind the results of the SOA members' survey and feedback from Pension Section members. ♦



Lois Chinnock's birthday is celebrated at a meeting of the Pension Section Council in New York.