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# A REVIEW OF THE 2008 FUTURE OF LIFE-CYCLE SAVINGS & INVESTING CONFERENCE

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I had the pleasure of attending the 2008 Future of Life-Cycle Savings and Investment conference that was held at the Boston University School of Management in October of 2008. The focus of this conference was the retirement phase of life-cycle finance and so the speakers and the attendees represented a broad swath of academics and professionals whose work is related to retirement. The conference was structured so that there would be sessions where papers were presented followed by sessions that were panel discussions on a specific topic. Audience participation was strongly encouraged throughout the conference. Topics ranged from the economic theory of consumption in retirement to health and long-term care issues to how older people behave. There was strong international representation among the speakers and in the audience. On the final day, the session on the future of pension and retirement in Europe focused on the Dutch retirement plans. This was of particular interest to me since it was one of the retirement systems that has been analyzed by the Pension Section Council using the *Retirement 20/20* Measurement Framework. The concluding session offered various speakers' thoughts on the future of pensions and retirement in the United States. The actuarial community was fortunate to be well represented on the panels of several sessions. Anna Rappaport, Jeremy Gold and Emily Kessler each spoke at different sessions. A link to the papers and more details as to the conference may be found here.

The absolute highlight of the conference was the after dinner panel discussion among three Nobel Prize winners in Economics: Paul Samuelson (age 91), Robert Solow (age 84) and Robert Merton (age 64) on "What Retirement Means to Me?" This panel discussion was moderated by Paul Solman, business and economics correspondent for The NewsHour with Jim Lehrer. It was a delightful experience and we learned that Mr. Samuelson thought he was too young to retire, that Mr. Solow kept working because he had too many friends and former students who wouldn't let him rest and Mr. Merton is still fully employed and has no thought of retirement. The three Nobel Laureates' discussions were wide-ranging and it is impossible to do justice to it in an article. In order for you to fully appreciate how engaging this session was I send you to the video.

A session I found to be particularly interesting was the session on Phased Retirement. It gave me serious food for thought as I think about the retirement predicament in the United States because it highlighted that what might be the "correct retirement answer" for one segment of the workforce may not help and possibly could hurt other segments of the workforce as far as their retirement is concerned. The speakers were three very dynamic women with very different ideas about phased retirement.

Anna Rappaport (Anna Rappaport Consulting), the first speaker, spoke on "Why Phased Retirement?" She looked at phased retirement from the perspective of both the individual and the employer. From an individual's point of view, phased retirement is desirable because many of today's jobs require 60+ hours per week and are very stressful; there may be family members needing care or the individual herself may have physical limitations; and there is an increased desire for schedule and project flexibility and a different life balance. Ms. Rappaport mentioned that she herself is a happy "phaser" who retired from full-time work a few years ago. She is still working but now gets to determine on her terms when, what and how much work she does. From the employer point of view, phased retirement helps keep valued talent since some expertise is hard to replace. In addition, regular staff may not have time for special projects and former employees may be ideal to help with training or to fill in when someone is disabled, on vacation or in the event of an emergency. Anna gave an example of utilities that use former employees to assist in the aftermath of large storms that cause major power outages.

Ms. Rappaport concluded with her public policy recommendations which included providing public education about implications of various retirement ages; facilitating the rehire of retirees including having a bona-fide termination of employment safe harbor; model documentation for contracting; and a reduction in the earliest age to receive in-service pension benefits from age 62 to the plan's earliest retirement age.

Alicia Munnell's (Peter F. Drucker Professor at Boston College Carroll School of Management) presentation was titled "Is Phased Retirement the Path to Retirement Security?" Ms. Munnell was strongly of the opinion that the answer to that question is an emphatic no and that the subject of phased retirement was a diversion that prevented focus on the real retirement problem which is that people do not have enough money to retire and will need to work longer in order to have sufficient income in retirement. She presented data indicating that employers resist expanding part-time employment and offered herself as an example of someone who disliked having to rely on part-time employees.

Rather than think about working part-time which not only employers do not want but that workers can't afford, she felt we should acknowledge and encourage workers to work on a full-time basis longer, at least until age 67, so that they might have a chance of having enough money to live on during retirement. Ms. Munnell did concede that workers who extend their working career may need to work at less stressful jobs as they age.

Theresa Ghilarducci's (Schwartz Chair in Economic Policy, Director of SCEPA, New School for Social Research) presentation was titled "Phased or Fazed Retirement." Ms. Ghilarducci believes that a sign of civilized society is the entitlement to a leisurely retirement at the end of a working career and that her co-presenters were too optimistic about working retirement. Her primary message was that encouraging employees to work longer may be bad public policy.

She pointed out that retirement security has been eroding over the last 15 years, with an increase in indebtedness among the elderly and that Americans aged 55 or older have experienced the sharpest increase in bankruptcy filings, from 8.2 percent of debtors in 1991 to 22.3 percent in 2007. One of her many observations that I thought was interesting was that the increase in longevity improvements was due to individuals enjoying a secure retirement since according to a study she cited, retirement improves older women's physical and mental well being and slows down the health deterioration of men. Another point of hers was that by permitting older workers to continue to work and also collect social security benefits without any reduction until wages are in excess of approximately $38,000 (in 2009), the Act is actually subsidizing the wages that employers of older workers have to pay to attract and retain older workers and reduces the ultimate Social Security benefits workers receive when they grow old. Her argument was that many workers cannot and should not work in retirement and that they are being pushed into the workforce because of inadequate retirement income. She believes that the only way to get employers to offer rewarding and challenging work to older workers and to use these workers productively so that they add to the country's economic growth is by providing their retirees with good pensions.

I thought that each speaker had a valid argument and so as I think about the work that has been accomplished with *Retirement 20/20* and what is left to be done, I hope that any proposed end state retirement system is encompassing enough to provide secure retirement for the retirees who are not able or do not want to work in retirement but flexible enough to accommodate those individuals lucky enough to be engaged in a profession where they can continue to work as their fancy takes them.

I heartily recommend that you check out the entire presentation which is available free as a video-cast at the CFA Web site: *http://www.cfawebcasts.org/cpe/what.cfm?test_id=879*

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