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MORE THAN 15 YEARS OF RESEARCH ON POST-RETIREMENT RISK

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The Society of Actuaries Committee on Post-Retirement Needs and Risks (CPRNR) has conducted a variety of research projects for more than 15 years. The CPRNR is a multi-disciplinary group, bringing together actuaries, economists, attorneys, survey researchers, plan sponsors and other types of professionals. The group engages in a variety of research projects and partners with other groups including WISER, INFRE, LIMRA, the Urban Institute, the Stanford Longevity Institute and others. All of the completed work can be found on our website.

Activities of the committee in 2013 included:

- Conducting focus groups on the decision to retire and the process of management in retirement.
- Completing a major report on lifetime income options, focused on providing employers what they need to put such options in their DC programs. This project includes quantitative modeling of a range of options (see below).
- Starting a project to develop best practices for financial management of the post-retirement period. The project focuses on middle class issues.
- Publishing a paper on the range of planning approaches with an approach to categorizing them.
- Issuing a call for papers on the link between long term care and retirement planning.
- Developing a concept for a paper on the range of approaches to providing advice, focused on employer options to participation in offering advice. This will be a continuing project of the Committee.

New projects for 2014 will be selected in January when the committee holds its annual planning meeting in Washington, D.C.

The major continuing project of the committee is the biennial survey of post-retirement risks. The first six surveys were conducted by telephone. In 2013, the CPRNR moved to an on-line survey for the seventh survey. The growth of technology and the move to cell phones are two of the changes that encouraged us to move to an on-line survey. Also in 2013, the CPRNR conducted focus groups on the decision to retire and personal management during retirement. The purpose of the focus groups was to explore why people did what they did. The focus groups are the topic of another story in this issue of *Pension Section News*. They served to provide valuable qualitative information used in structuring the 2013 risk survey. That survey explores a number of new issues and is designed to build on and add to what we learned previously.

The Lifetime Income paper, which was a major accomplishment in 2013, is designed to offer guidance to employers who are considering adding lifetime income options to their defined contribution plans. It includes a checklist and action steps for employers as well as a discussion of fiduciary issues. It also includes stochastic modeling of a range of income approaches and provides a clear demonstration of which approaches may be more appropriate in various situations. We will be working on a follow-up to this project dealing with optimal retirement income solutions in 2014.

The following broad themes have emerged repeatedly from our research over the years:

- There are major gaps in public understanding of post-retirement risks and the available solutions to manage those risks.

- The average American family nearing retirement age does not have enough money to retire and maintain their pre-retirement level of spending.
- It is extremely common for people to retire at an age significantly earlier than they planned to.
- Many people do not plan, and among those that do, many plan for a period shorter than the rest of their life.
- Planning is often focused on cash flow management in the next year or two, rather than on longer-term risk management.
- It is common to underestimate the impact of working longer, life expectancies, and the impact of widowhood.
- Women are not as well off in retirement as men.
- The shift to defined contribution plans has aggravated all of the above challenges. People are increasingly called on to plan on their own.
- Pre-retirees' expectations are different from the actions ultimately taken by retirees. Many people retire a lot earlier than they expect to. In the 2013 risk survey, there was a seven year difference (65 versus 58) in the expected age of retirement by pre-retirees and the actual retirement age for retirees.
- Pre-retirees are more concerned about risks than retirees. Top risk concerns are repeatedly inflation, paying for health care, and paying for long-term care. ■



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