

PERSPECTIVES FROM ANNA

AN INTERESTING WEEK IN WASHINGTON, D.C.: THE INTERNATIONAL CONGRESS OF ACTUARIES AND MORE

By Anna M. Rappaport

I spent the first week in April in Washington, D.C. attending important events: the International Congress of Actuaries¹, the Women's Institute for a Secure Retirement's (WISER) Dialogue among Generations, and the Investment Company Institute's (ICI) Retirement Summit: A Close Look at Retirement Preparedness in America. There are challenges in retirement systems worldwide, and the systems vary by country, but the issues facing the systems are similar in many different countries. Some of the issues raised in the discussions included sustainability, retirement ages, evolving risk-sharing models, and differing views about in-retirement financial adequacy. I also enjoyed interesting discussions about other important issues, saw old friends and made new contacts, and had some fun. This perspective focuses on the discussions that week and the events I attended.

THE BIG PENSION ISSUES

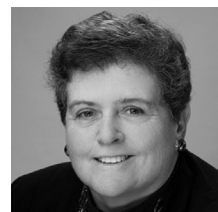
The Congress featured an interactive panel on current pension issues, representing several different countries. The panel chose to focus on sustainability as a major issue facing pension systems, and then used sustainability as an umbrella issue to connect many of the other big picture issues. Some of the sub-issues related to sustainability are funding rules and levels, sharing of risks, setting of retirement ages, and how well the benefits meet the needs of the people they are serving. It was a very interesting discussion. I would recommend sustainability as a key topic for ongoing discussion in future events. There are no magic bullets, but there are pathways to improve the situation. A well-attended panel at the Congress focused on target benefit plans and new pension designs. The three speakers were Paul McCrossan who spoke on New Brunswick, Canada and what has been done there; Andrew Vaughan who provided information about efforts to identify better paths forward in the United Kingdom; and Robert Brown who talked about target benefit plans in Can-

ada. Related to this panel, a separate article in this issue features Andrew Vaughan, and "Reshaping Workplace Pensions for Future Generations." There were also discussions during the Congress about longevity and retirement ages. Longevity² was a huge topic of interest, and the opening session speaker Jay Olshansky reviewed some of his research. Some major takeaways from Olshansky's work include:

- While modest improvements are likely to continue, there is no reason to expect the large increases in life expectancy predicted by some researchers.
- Further increases in life expectancy must come largely from improvements in mortality at the older ages.
- There are large differences in life expectancy by socio-economic group in the United States.
- There are big advances taking place in medicine at this time.
- Work on delaying aging and extending healthy life should be an important focus of future research.

The Congress presentations and papers can be downloaded from the Congress website <https://cas.confex.com/cas/ical4/webprogram/start.html>.

The WISER and ICI meetings focused on the state of the retirement system. The WISER symposium featured a dialogue between a group of college students from Texas Tech and retirement experts including Phyllis Borzi and Dallas Salisbury.³ The students had won an essay contest sponsored by iOme asking them for input on solving some of the challenges in the retirement picture today. The essay focused on increasing savings by younger people as well as educating them about savings. The iOme challenge serves to engage students in thinking about



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retirement security.⁴ This is a very important project because too many people have not focused on longer term financial security and the importance of saving.

The ICI Summit provided a forum for a star-studded group of academics to provide research results from different approaches to measuring retirement adequacy in the United States. Four different analyses were discussed. They reached quite different conclusions about what percentage of the American population is appropriately prepared for retirement. The projected range of individuals not well prepared as they reach retirement is from about 20 to 50 percent. The underlying population information is similar in these analyses. It seems that the biggest difference relates to the method of estimating needs after retirement. The approaches that focus on projecting pre-retirement spending with adjustments for inflation and aging show a much bigger problem than the approaches that study spending patterns

during retirement and then use that information to estimate how well people entering retirement will do. Many areas of spending decline during retirement. Health care costs and gifting however increase. A number of presentations and recordings are available online from the ICI. The analyses based on spending paths still show high levels of unpreparedness on the part of single females. Couples and singles are in a very different situation. I encourage readers to look at the presentations and listen to the recordings of this meeting.

Underlying several of these discussions are different views about the successes and failures of the retirement system. In the United States, poverty rates are lower at retirement ages than among children. My view is that a number of the people who do poorly throughout adult life also do poorly at older ages, and that this is to be expected. However, I do not see this as a failure of the retirement system. Rather, I see it as a problem relating to the larger economy and the difficulty of some people to manage within the mainstream economy. If we adjust for this group, then we will have very different perspectives depending on which of the two viewpoints discussed above we accept. I view the current situation as a mixture of success and failure, and hope that each of us can think about what we feel good about and what we do not. We can then work to improve what is not going well. I worry particularly about unmarried women, and about people who have not been able to hold decent jobs throughout their adulthood. I wrote about this issue of success and failure in a prior *Pension Section News*. This discussion also raises some cautions: when you read or hear a discussion with a point of view, remember where it came from and how reliable the source is. Check on the data and the methodology used. Think critically about the issues and do not just accept the statements made.

THE 2014 INTERNATIONAL CONGRESS OF ACTUARIES EXPERIENCE

I am very pleased that there was an International Congress of Actuaries meeting in the U.S. in 2014. The organizing committee worked very hard, did a good job, and I want to thank them. The total Congress experience is a wonderful one. I became a fellow of the Society of Actuaries 51 years ago, and this is the first time in my career that there was a Congress in the United States. This was my fourth Congress and I am happy that I was able to attend all of them. The first Congress I attended was in Sydney, Australia in 1984 and it changed my view of the actuarial profession. Within a few years after attending that Congress, I attended an International Association of Consulting Actuaries (IACA) meeting in Auckland, New Zealand.

The great value of the Congress is getting a sense of the global profession and broadening perspective. I feel that everyone should go to at least one international Congress, hopefully early in their career. A very interesting session I went to in 2014 was a session on micro-insurance sponsored by an International Actuarial Association (IAA) working group. This is a subject I know nothing about. It made me realize that there are important areas where the profession is working that I do not know about, and offered a little insight about what the IAA is doing. The sessions were interesting and offered a mix of topics I was familiar with and some I was not. There was an excellent line up of retirement- and pension-related topics. Often I learn the most when I attend a session in an area I know nothing about.

At the Congress, I had a chance to see a number of long-term friends and to meet some new people. It was wonderful for me to have a chance to meet with some of the leadership of the Pension, Benefits and Social Security (PBSS) section of the IAA.

THINKING ABOUT BIG PICTURE ISSUES CAN OFTEN HELP US TO MEET DAY TO DAY CHALLENGES MORE EFFECTIVELY, AND IT HELPS US DEFINE WHAT WE WANT TO DO NEXT, AND HOW TO GET THERE.

It was particularly gratifying to meet actuaries from countries where the profession is just developing. I went on one of the tours Tuesday afternoon, enabling me to visit a place I had never been and spend time with an actuary from Bosnia.

At the start of the 2014 Congress, there was a brief presentation showing how the number of countries having actuarial associations has grown over the last 20 years. Today the IAA represents more than 60,000 actuaries in 108 countries; 65 actuarial associations are full members of the IAA and 28 are associate members. There are a few nonmember associations, and quite a few countries with actuaries but not associations. It was a thrill for me to see this. Many of the people at the Congress were from countries that did not have an actuarial profession when I started more than 50 years ago, and from which I had not previously met anyone.

I want to share one story from the past. At my first IACA⁵ meeting (my second international meeting), I learned some things that have been invaluable for much of my career. During that meeting, I came to realize that although there were differences in pension systems between different countries, there were several big picture issues that affected many different systems. To this day, there are common important issues found in multiple countries. Today, they include retirement ages, payout of money during retirement, risk sharing, sustainability, the shift to DC plans, and the difficulty of educating plan participants. During that meeting, I also

learned that different countries use different methods to tax retirement benefits. Ever since that meeting, I have looked at multiple countries' solutions as a way to have a bigger perspective on solutions to issues. With globalization, an increasing number of people realize that retirement issues have parallels in many countries. That is a perspective that has not changed during my career. I encourage everyone to think about different solutions to the same issue, and to be open to learning from others. That meeting was more influential in shaping my approach to studying problems than any other meeting I ever attended.

I am proud to have been able to share some Society of Actuaries work and some of my work at the Congress. I did a presentation on the work on the Committee on Post-Retirement Needs and Risks. This work is focused on the individual, and in our fifteen years of work, we have found that misperceptions continue. I also did a presentation on disability and defined contribution plans. I have written on both of these topics for the *Pension Section News*.

THE WISER AND ICI MEETINGS

It was lucky for me that these meetings occurred during the same week as the Congress and I could fit them in. Both of them included diverse groups of professionals interested in retirement security. I was happy that they offered me the chance to hear interesting content, participate in important discussions and see some people I wanted to see.

ADVICE TO MY COLLEAGUES

I want to conclude with some advice to my colleagues. We are all faced with day to day challenges and must of course meet them. Most of us spend nearly all of our meeting time on the topics that we specialize in, and the ones that we work with clients or others on. That is what we need to do. At the same time, I believe we will be better

professionals if we gain some perspective on the broader issues and spend a little bit of time learning about things that we do not do every day. I recommend both the Society of Actuaries Annual Meetings and the International Congresses for gaining such perspective.

My view is that we should balance our focus on day to day challenges with focus on big picture issues and on thinking about our lives and careers. Thinking about big picture issues can often help us to meet day to day challenges more effectively, and it helps us define what we want to do next, and how to get there.

Having a strong network of people is important for much of what we do. Even if it not important for what we do now, it may be important for our next project. My focus in the last few years has been heavily on working on issues related to the later part of life. I have done this through various projects, many of which are projects of the Society of Actuaries—either through the Committee on Post-Retirement Needs and Risks or the Pension Section. I have also advocated for important (and sometimes under-recognized) issues. Being connected to a diverse group of people is important both to doing this work and to gaining interest in the results.

To summarize my advice:

- Plan to attend a Congress at least once during your career.
- Attend other meetings that will give you a bigger picture including the Society of Actuaries Annual Meeting and other meetings.
- Expand your professional contacts beyond your area of practice and beyond the actuarial profession. Stay in touch with your network. Use the tools that work for you to do this.

- Make sure to have a big picture focus as you think about issues. Don't forget the details, but don't limit yourself to them either. ■

ENDNOTES

- ¹ The International Congress of Actuaries is sponsored by the International Actuarial Association. IAA membership is organizational, but the IAA offers sections that individuals must join. I recommend exploring and joining these sections. The opportunity to join is linked to the Society of Actuaries annual membership renewal process.
- ² For more recent research on longevity and interesting perspectives, look at the Society of Actuaries Living to 100 website. <http://livingto100.soa.org/>
- ³ Phyllis Borzi was confirmed on July 10, 2009 as Assistant Secretary of Labor of the Employee Benefits Security Administration in the U.S. Department of Labor. Dallas Sallisbury is President and CEO of the Employee Benefits Research Institute.
- ⁴ See www.iOmeChallenge.org for more information on the annual essay context.
- ⁵ International Association of Consulting Actuaries, now a section of the IAA/