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IMPORTANT INFORMATION FROM THE LIVING TO 100 PROJECT: SOME COMMENTS FROM A PENSION ACTUARY ABOUT THE IMPLICATIONS OF LONGER LIVES

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The Society of Actuaries Living to 100 symposia offer a mixture of research about increasing life expectancy, high age mortality data and modeling issues, and the societal implications of longer life. There have been five symposia to date in 2002, 2005, 2008, 2011, and 2014. A research report is available on the SOA website that summarizes the first four symposia, and includes abstracts of all of the papers presented. The report identifies common themes throughout the symposia series and describes areas of agreement and disagreement.

Monographs have been published from each of the five symposia as a permanent record both the papers and write-ups of the panel discussions. The 2014 symposium monograph (which includes all papers and panels) has just recently become available and I suggest you browse through it to find content useful for you. This article focuses primarily on the 2014 symposium and on the discussion panels that focused on societal implications of longer life, particularly implications for business and human resources. I moderated both of these panels.

Another useful resource: While this article is primarily about implications for business, pension actuaries will be particularly interested in the paper on "Mortality Projections for the Social Security System of Canada," from the Office of the Chief Actuary, in Canada. This paper provides insights into (much larger than I expected) mortality differences between the U.S. and Canada. (General Session V)

Pension actuaries are very interested in mortality projections and much was discussed about them in the 2014 symposium. As this topic has been reported elsewhere, it will not be discussed in this article.

PANEL ON BUSINESS IMPLICATIONS OF LONG LIFE

What are the business issues linked to longer life spans? Several of the panelists offered different perspectives on this topic. Nigel Nunoo from the Prudential noted "When the pension plan gets in the way of the business plan, leading companies around the world turn to pension risk transfer." Sally Hass, a workforce strategist and financial educator pointed to factors that influence whether an employer is willing to adapt to an aging workforce. They include the adequacy of incoming talent to meet company needs, the profitability of the company and rate of growth, the culture and values, the type of business, and the age of the company and its leadership. Haig Nalbantian from Mercer offered different views of business needs and a perspective on when it is important for the business to adapt. He contrasted companies with talent shortages to those companies that currently are experiencing slow growth and maintain a talent strategy oriented to building from within. Companies with talent shortages need to retain experienced people that might otherwise retire while the slow-growth companies with a build strategy need to avoid delayed retirement. In the absence of growth, the build-from-within strategy does not work well unless opportunities open up.

As we think about employment, companies face considerations both with regard to retaining longer service people, and providing an attractive environment for them. Furthermore, they need to consider whether to hire older people as new employees or temporary employees. Tim Driver, President of RetirementJobs.com provided perspective on why businesses hire older people. They have experience and life skills, and can offer a quick response staffing solution. They are often productive immediately, particularly where

there is a lot of knowledge required for a job. Because of this, they fit well and are used in positions where employers have difficulty in filling the job. They can be extremely helpful in improving customer satisfaction. For organizations with over age 50 customers, older employees are often better at establishing a rapport with these customers. They have lower turnover, and are good at creating goodwill. For some companies, hiring these workers also helps meet diversity goals. While Tim pointed out the many benefits of hiring older people, the panelists recognized that many companies are reluctant to hire older workers and that older workers often have a harder time getting jobs.

MORE ABOUT CHANGING BUSINESS OPPORTUNITIES

The business implications panel (General Session II) focused on areas of business opportunity linked to longer life. As we think about business implications of long life, we want to ask: which areas of business will be affected by an overall older population? My response is many—as people age or change in any way, they will use different products and services. Three areas that will experience big change are health care, financial services and housing. This session's panel included discussions from a sample of three areas for business change: financial services, represented by Nigel Nunoo from the Prudential; employment, represented by Tim Driver from RetirementJobs.com; and housing, represented by Cindy Hounsel, of the Women's Institute for a Secure Retirement. These are just examples to spur further thinking. Messages about these topics were also found in other sessions, and in some of the papers.

Many organizations are responding to longevity risk by changing their pension plans to shift more risk to participants, i.e., they are moving from DB to DC. At the same time, they may also be shedding the risk in existing DB plans. New strategies have emerged

in the marketplace to enable organizations to do this. In the panel, Nigel Nunoo told us about some of these strategies and the issues linked to them. He approached this from the perspective of the opportunities for financial services companies. Elsewhere in the monograph, there is another panel about risk management strategies for individuals (Session 5C) and that also offers insights about product approaches. Nigel Nunoo also provided insights about the opportunity for financial services companies to offer products and services to help employees manage funds after retirement. The opportunities exist to help both plan sponsors to support the post-retirement period and to help individuals directly.

One of the consequences of the shift to DC (combined with some of the market volatility of the last 15 years and the decline in housing prices about five years ago) is that many people are trying to work longer. One of the consequences of longer life is that some actuaries and other professionals are pointing to the desirability of people working longer. The second major focus of this panel was on employment, particularly focused on opportunities targeted to older workers. While some people are able to stay on in long-term jobs, and work in their long-term profession, often with former colleagues, many others are not able to do so. RetirementJobs.com offers different types of employment opportunities to older workers, and provides an internet based system for matching jobs and workers. They have also identified and certified age friendly companies. While they offer opportunities to older individuals, such opportunities are not a fit for everyone. Tim Driver told us that some older persons are very prepared for work, whereas others have difficulty, in part because they are not flexible and ready to fit into the evolving workplace. Part of assisting older workers is helping them understand current workplace demands and be

better prepared for the evolving workplace. It is important to find job options that bring employers and employees together in a way that fits both of their needs. Different types of work arrangements are one route to this. These ideas have been under discussion for a long time, but the number of employers using them is limited. Tim Driver pointed out older persons may seem well suited for certain types of employment on the surface, but they may be much better suited for other jobs. In turn, employers are more likely to recruit older persons for specific types of jobs, such as bank tellers, other bank personnel, caregivers, cashiers, other retail positions, customer service, sales and nurses. Much more was said about job options which work well in the panel on Human Resources Implications.

It seemed to me that working longer, retiring differently and retiring later were big themes that emerged several times at the 2014 symposium—very different than prior years. Several of the papers picked up this theme as did the Human Resources panel. Two papers, both presented in Session 3B, that should be of particular interest are my paper “How Well Have Retirement Systems Adapted to Longer Life?” and Jonathan Barry Forman’s paper “Supporting the Oldest Old: The Role of Social Insurance, Pensions, and Financial Products.”

The last big theme in the business implications panel was housing. Cindy Hounsel talked about the importance of people aging in place, and the growing focus on giving people that option. She also talked about a range of housing options, and she talked about the types of community support services that can help someone age in place. I was struck by the very long list of services she described. A number of the services offer growing opportunities, and can be provided by larger organizations, individuals or very small firms. There have been a variety of senior housing options available for a

long time. There are multiple attractive options for people with significant resources, but the options are very limited for those with little money. New options are emerging also. Three ideas that are getting increasing attention today are the “village movement,” co-housing and naturally occurring retirement communities. The “village movement” provides for people to band together in a neighborhood or community so that they can help each other out, and have a variety of social interaction. There are over 100 villages and they vary in what they do. Housing was also discussed in the panel on long-term care.

MORE ON HUMAN RESOURCES IMPLICATIONS OF LONG LIFE

Session 2C Panel: “Developing a Winning Strategy to Address the Good, the Bad and the Wrinkled of Our Aging Workforce” focused both on challenges and obstacles to older worker employment and on what employers might do in response to longer lives. In addition, it examined how individual needs and interests and employer needs and interests intersect. Age discrimination in employment (including hiring) is prohibited in the United States, but many observers would indicate that older workers face obstacles, and that there is still discrimination against them. While older workers have lower turnover, they are usually believed to have higher health and disability costs. Benefits costs for employers of older workers depend on the structure of the program. Under some pay structures, pay increases with length of service, and longer service employees may be viewed as expensive, particularly if they are in jobs that do not have a lot of specialized knowledge attached to them. In some jobs, 20-25 years experience is extraordinarily valuable, particularly if individuals keep learning and adding to what they know, but others can be fully learned in a few weeks or a year. Where things have changed a lot, institutional and historic knowledge might be very valuable, or it may be a barrier to ef-

fective functioning in the new environment. Culture and stereotypes are also a source of bias against older workers in some settings.

The human resources panel focused on barriers to the use of older workers. While the legal structure protects older workers from discrimination, at least on paper, it makes employers concerned about the legal risks and potential for trouble. The panelists indicated that the legal structure inhibits innovation and experimentation, and I believe it is a barrier to hiring older workers. There are both reasons for and concerns about hiring older workers. When a company hires an older worker and it does not work out, there is always the potential for an age discrimination suit. Costs are clearly an issue. Some jobs have stringent physical demands, and the ability to meet them may decline over time. In such jobs, productivity and disability may be a challenge. Technology and the ability of the generations to work well together are also issues. While some older persons are very good with technologies, others find them difficult and are slower to learn new technologies. At all ages, people vary in their flexibility and their willingness to embrace change.

Haig Nalbantian is an economist, and co-leads the Workplace Sciences Institute at Mercer. His discussion confirmed the belief that many actuaries have had for years. Some organizations are experiencing difficulties in talent management as a result of discontinuing their DB plans. As expected, people who have only DC retirement plans tend to retire later. Furthermore, economic conditions influence their retirement timing, and when there are poor economic conditions, that delays retirement. If markets are doing very well, people with larger DC balances may be encouraged to retire earlier in some situations. Haig provided an overview of different analytical approaches to examining the internal labor market within a firm and showed how predictive modeling

methods can identify and illuminate challenges related to the aging workforce. These analytical approaches allow organizations to better understand how their programs and benefits influence their businesses as a result of decisions made by employees.

Don Fuerst provided a case study showing how Aerospace Corporation uses its retirees to support its business. Retirees are allowed to work part-time on a limited basis. This is an organization with many scientific people who have hard to replace knowledge, and who are probably interested in working longer. Rehire of retiree programs are much more common than formal programs that allow people to phase down gradually.

Some older persons are not interested in working. Of those who want to work, not all older persons are attractive as employees. The fundamental issue is matching of skills to employer needs. But there are a variety of personal characteristics and workplace habits that help define the individuals who are very hireable and those who are well prepared for new challenges. Tim Driver provided insight into what they find. Some of the characteristics of those who are not prepared for new challenges include poor technology skills, living in the past and being stubborn and set in their ways, and not being willing to take direction from a younger person. Often these people come across as grumpy and entitled. Some of the characteristics of the very hireable individuals include being hopeful and enthusiastic, being a team player, being excited about learning new skills, and being ready for a new experience. Tim Driver emphasized the importance of counseling individuals looking for work to help them better understand what would make them employable.

Sally Hass provided a range of adaptive solutions and innovations that employers may offer. They include flexible work arrangements like retiree rehire, job banks of

retirees, part-time employment, change of work assignments, phased retirement, work with a flexible schedule or place, adjustments to benefit eligibility to support work options, time off for caregiving, enhancing Employee Assistance Program offerings to support elder care, long-term care insurance, sabbaticals, leaves of absence, and knowledge transfer programs.

OVERALL THEMES AND MOVING AHEAD

Overall, the 2014 Living to 100 Monograph offers a variety of different discussions about workforce and business issues. There are several themes that emerge:

Population aging affects many businesses and much of society. It creates new opportunities and changes old ones.

As the population ages, working longer is a very big issue—one that is important to individuals and society.

Businesses are very mixed in their response to this idea, but they will need to cope with an aging workforce.

It is important to deal with the barriers to older persons working, and adaptive programs can very helpful.

The long-term impact of DB plans on organizational staffing and business results related to talent is often overlooked when decisions are made.

As actuaries, we play a number of different roles in the organizations we serve and in society as a whole. The information in these panels and papers can be used in a variety of different ways. At a minimum, we should understand the environment in which the systems we are working operate. Such an understanding should inform program design and the assumptions we use for estimating costs and calculating reserves. We may also wish to seek out broader roles. Many

aspects of business are affected by changes in demographics and the environment. When this happens, it is important to apply analytical techniques that take these changes into account. This may call for different forms of modeling.

As actuaries, we can also advocate on issues that are of importance to us. Two issues come to mind as I think about the discussions in these panels. First, people and society (and businesses) would be well served if more attention were paid to creating thoughtful job options and using older workers well. Second, when DB plans are looked at and change is considered, sometimes their upsides and long-term impacts are forgotten. We should focus on the upsides as well as the negatives. I hope that more of us will become active as we think about influencing change in our society.

You are encouraged to look at the panel transcripts and papers, and to start discussions on this topic on the Pension Section LinkedIn page. ■