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Chairperson's Corner

By Julie Curtis

I am a baby boomer, born at the heart of the largest home-grown population explosion in North America's history. Even as a young student, I wondered how things would work out economically for our generation. There were so many of us. Growing up in a multigenerational family, I saw firsthand how many resources—financial, personal, and medical—were required to maintain a good quality of life for the older generation. How would our generation get jobs when we flooded the market? How would we manage when we became the "sandwich" generation? And unless we also had many children to support us as we aged, who would care for us, and where would our financial resources come from?

Every generation asks these questions, and every generation faces its own challenges. We just need to look at the challenging job market facing the millennial generation a few years ago to see that every cohort has problems.

It was the sheer number of boomers that marked our generation, and like many of us, I realized that continued prosperity due to prolonged population growth was probably not sustainable. At some point, we would age, caring for the generations before and after us and having to save for our own future all at once.

Becoming a pension actuary was a natural fit for a young person who thought about, perhaps obsessed over, the long-term economic prognosis for our generation and the generations to follow. I heard stories of the difficulties my grandparents and great-grandparents faced, saw the improved overall economic status of my parents' generation, and wondered how we could sustain those gains and maybe even improve the situation for future generations.

As I moved through adulthood, I also noticed that people were living longer, and for the first time, large numbers of us were enjoying an extended middle age. Our parents' productive years overlapped with ours for two, three and even four decades. Many of us have enjoyed a time when we, our parents and our children were all functional adults at the same time, sometimes for many years. Eventually, though, all of us who survive to old age come to a point where we are no longer economically productive or self-sufficient, and we must draw on external resources.

When I started my career as a pension actuary, defined benefit (DB) plans—combined with the existing social programs and tax-advantaged retirement savings plans—provided a solid approach to acquiring those resources. Then I started to see the size of plan sponsors' defined benefit obligations grow sharply. The increasing number of pensioners, increasingly large benefits created by higher pay and longer service, and low inflation/lower asset returns combined to make the size of obligations untenable in many cases. Media reports of pension obligations dwarfing a company's assets became all too common. Not surprisingly, we had to reassess the traditional pension system. One of the most thoughtful looks at the future of retirement plans emerged from the SOA's *Retirement 20/20*. (*http://retirement2020.soa.org/background.aspx*)

Although the initiative was completed five years ago, many of its observations still apply. It reminds us that continued innovation in retirement plans is possible and necessary, that achieving a balance between DB/defined contribution (DC)/social programs is not easy, but it is an important goal. The project explored key concepts of our existing system and suggested future actions that plan sponsors might consider. To paraphrase Emily Kessler during her 2009 testimony to the ERISA advisory council, retirement features that create the best outcomes for the most participants include:

- Some insurance and risk-sharing elements
- Ways for employers to offer their employees plans (DB and/or DC) that might not be sponsored by the employer
- Wise use of markets, including education, strong, unbiased advice and standardized products
- Communications and messaging to encourage individuals to consider longer careers, annuitization at retirement, and long-term planning throughout their working lives.

The Pension Section continues to explore the current state of DB and DC plans and ways to improve and innovate these plans to keep North America's retirement system robust. If you are interested in exploring how to improve the system, please let us know. The Pension Council and its communications, research and continuing education teams welcome volunteers and suggestions. You can reach us at *https:///www.soa.org/about/volunteer/default.aspx*.

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