



Article from

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# Risk Strategies Pertaining to the Many and Diverse Risks Found in Retirement

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The Society of Actuaries' (SOA's) Committee on Post-Retirement Needs and Risks (CPRNR) has been researching and seeking solutions for managing post-retirement risks for nearly 20 years. While a great deal of information is available about the challenges caused by these risks, corresponding solutions are often not readily available. Furthermore, in many areas, there is no clear consensus on the best solutions.

In the fall of 2015, the CPRNR issued a [call for essays](#) focused on three different areas: (1) defined contribution plan risk management strategies; (2) decumulation strategies for retirement; and (3) long-term care financing.

In the first area, an increasing number of employers use defined contribution (DC) plans as their primary retirement benefit plan. While these plans enable employees to accumulate substantial retirement resources, there may be gaps for those using DC plans as their primary retirement vehicle. Risk protection available with defined benefit (DB) plans is lost in several areas.

The second topic, decumulation, revolves around the issue that households have their retirement resources in a variety of funds. Those with multiple sources of funds have choices with respect to which funds to draw down first. Everyone needs to make decisions about what type of drawdown arrangement to implement. The question here is what methods are recommended for drawing on these various resources in retirement.

The third topic, long-term care financing and retirement, continues a theme from the CPRNR's 2013 call for papers. The SOA was especially interested in essays that integrated retirement planning and financing for long-term care (public or private).

The SOA received 20 papers (essays) and selected 18 to be published in a compendium that is now available on SOA.org. After careful review and consideration, the committee announced in January that the following essays were selected for awards:

## FIRST PRIZE

- Evan Inglis, "The 'Feel Free' Retirement Spending Strategy." This essay provides a rule of thumb for decumulation with a range attached to it. The author keeps it fairly simple and provides some analysis as to why this rule is reasonable.

## SECOND PRIZE

- Krzysztof Ostaszewski, "Retirement: Choosing between Bismarck and Copernicus." This essay suggests an entirely different view of retirement—as in retirement is when you can't work anymore.

## THIRD PRIZE

- Anna Rappaport, "Thinking about the Future of Retirement." This is a "big picture" approach, focusing on retirement ages as well as a range of issues related to DC plans.
- John Turner, "Longevity Insurance Benefits for Social Security." This essay on longevity insurance proposes a change to Social Security to better achieve this goal and then focuses on how that will link to decumulation.
- Steve Vernon, "Designing and Communicating Retirement Plans for Humans" and "A Portfolio Approach to Retirement Income Security." Steve Vernon had two winning papers. One was on designing a better retirement plan. For this, he revisits behavioral finance issues and uses them to make recommendations about structuring employee (DC) benefit plans to offer good support for decumulation. The other presented a portfolio approach to retirement income security that built on research sponsored by the SOA with the Stanford Longevity Center.

We wanted to highlight the long-term care arena, and the essay "News Flash: Retirement Takes Over Long-Term Care" focuses on a wide range of policy ideas. Importantly, it posits that long-term care linked to retirement vehicles will be how public policy will address this risk/need.

We are pleased that these essays can be included in this issue of *Pension Section News*, along with a short interview with each author. Many of the others will be published here in later issues. ■



John Cutler served as chairperson for the Project Oversight Group for the Diverse Risks' call for essays. He has been an active member of the Committee on Post-Retirement Needs and Risks for several years. He retired from the Office of Personal Management in 2015 and is now a Senior Fellow for the National Academy of Social Insurance as well as special advisor to the Women's Institute for a Secure Retirement (WISER). At OPM, he was actively involved with health and long-term care issues, and he is the architect of the Federal Long Term Care Insurance Program for federal employees.