Understanding and Managing Post-Retirement Risks
A series of reports presenting highlights from the Society of Actuaries’ extensive body of research on post-retirement risks and issues.

COVID Aging and Retirement Research: What’s Been Done and What’s to Come?

By Anna Rappaport
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Introduction

Public programs, individual efforts, and employer-sponsored benefits all play roles in the financial and retirement security of Americans. COVID-19 did not change the need for retirement savings, benefits and financial security, but it changed the situation of some Americans, and it may have created a greater awareness of some financial security issues.

The Society of Actuaries (SOA) Research Institute Aging and Retirement Program addressed the U.S. issues related to COVID-19 and retirement security through a series of special reports issued in 2020, a call for essays, and the use of consumer research which included COVID-19 as a major topic. Outside research that provided insights into societal issues and what employers are doing is integrated into this report.

This report will provide an overview of how COVID-19 and the related societal changes have affected U.S. employers and individuals as we focus on retirement, summarize the SOA Research Institute-sponsored research, identify some of the current uncertainties, and provide ideas and questions for thinking about the future. This is a relatively unusual report because most COVID-19 related reports have focused on immediate issues, and not on thinking about the longer term. The Institute reports consider longer-term issues and raise questions that need to be answered.

SPECIAL REPORTS

These reports generally start with the pre-COVID-19 situation, then discuss COVID-19 developments, short-term issues, and provide some perspective on longer-term issues which will need consideration. The pre-COVID-19 context is very important because the retirement system was facing challenges at the start of the pandemic, and the pandemic issues simply added another layer of issues on top of existing issues. While these reports can’t provide a crystal ball, they open up questions and call for thinking about the future implications. The special reports are as follows:

- Impact of COVID-19 on Retirement Risks
- Defined Benefit Plans and COVID-19: Immediate Challenges for Plan Sponsors
- Defined Contribution Funds, Emergency Funds, and COVID-19
- COVID-19 and Working in Retirement
- Impact of COVID-19 on Senior Housing and Support Choices
- Impact of COVID-19 on Family Dynamics in Retirement

ESSAYS

Essays offer reports on research, individual perspectives and present ideas. They include personal opinions of authors. (However, they do not discuss specific companies or products, but rather concepts.) The essays in the special essay collection are as follows:

- Employee Benefits after COVID-19
  by Anna Rappaport
- The Impact of COVID-19 and the CARES Act on Retirement Readiness for American Workers
  by Daniel Cassidy and Meghan Malachi
- How Much is Enough in Light of COVID-19?
  by Sam Gutterman
COVID RESEARCH: WHAT’S BEEN DONE AND WHAT’S TO COME?

- The Impact of Recent Market Volatility on Financial and Retirement Planning
  by Toby White
- Will Retirement Change Due to COVID-19?
  by Linda Koco
- Lessons for Retirement Annuities from Coronavirus Induced Economic Turbulence
  by Thomas L. Hungerford
- Effects of Ephemeral Mass Unemployment
  by Jack Lund
- Are CCRCs and Senior Housing Communities a Good Choice? COVID-19 and Risk in Arrangements for Senior Housing and Support
  by Anna M. Rappaport
- Managing “Black Swan” Stock Market Risks in Retirement
  by Kenneth Steiner

CONSUMER RESEARCH

The SOA Research Institute, as part of its consumer research on retirement, financial perspectives and well-being, recently completed a survey: Financial Perspectives on Aging and Retirement Across the Generations\(^1\) in 2021 (the 2021 Survey). This survey followed up Financial Risk Concerns and Management Across Generations\(^2\) in 2018 (the 2018 Survey). These studies focus on Americans at all income levels, and the results should be representative of the total population.

Between 2018 and 2021, several important societal factors affected the lives and well-being of many Americans. Big societal issues included:

- The COVID-19 Pandemic
- Growing recognition of the importance of climate change
- Major focus on racial and ethnic disparities and continued recognition of inequality

The 2021 Survey focuses on these important societal issues and their relationship to financial perspectives and well-being. It repeats many of the same issues that were covered in the 2018 Survey but also includes a major focus on the pandemic.

The Institute also surveys the public on Post-Retirement Risks and the Process of Retirement every two years. The 2021 Risks Survey\(^3\) includes some content on the impact of the pandemic. The Risk Survey content on the pandemic is not as extensive as the Generations Survey content.

This report looks at the survey results related to the pandemic, the special reports and the essays, and focuses on retirement and economic security.

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1. The 2021 Generations survey main report is here: [https://www.soa.org/resources/research-reports/2021/generations-survey/](https://www.soa.org/resources/research-reports/2021/generations-survey/). Additional reports were published on race and ethnicity, Generation X, and financial fragility.
3. The 2021 Risks Survey report and a highlights report is here: [https://www.soa.org/resources/research-reports/2021/retirement-risk-survey/](https://www.soa.org/resources/research-reports/2021/retirement-risk-survey/) This is the 11th report in the series. Each report includes responses on a major series of risk questions asked of retirees and pre-retirees as well as a variety of questions on special topics.
PANDEMICS AND A BROADER FOCUS ON EMERGING RISKS

The Institute has conducted a survey of risk managers on emerging risks for the past 15 years. While the primary focus of this survey is not retirement, COVID-19 has spotlighted the link between emerging risks and retirement planning. Other emerging risks that are important to retirement include climate change and cyber-risk, for example.

HOW TO ACCESS THE RESEARCH

The full reports from the work of the Committee can be downloaded from the Aging and Post-Retirement Research page on the SOA website at [https://www.soa.org/research/topics/aging-ret-res-report-list/](https://www.soa.org/research/topics/aging-ret-res-report-list/).

4 The annual survey reports and related materials are here [https://www.soa.org/resources/research-reports/2015/research-emerging-risks-survey-reports/](https://www.soa.org/resources/research-reports/2015/research-emerging-risks-survey-reports/).
Background and Context

THE CHANGING ENVIRONMENT FOR RETIREMENT PLANNING

COVID-19 changed the environment for retirement planning. It is, however, unclear how COVID-19 will affect the economy in the longer run. As of mid-year 2020, economists were predicting that unemployment would remain in double digits for at least the rest of the year. Some people who were temporarily laid off had returned to work and others were expected to return, but some businesses would fail, and some jobs would be lost later in the year. By late 2021, the big news with regard to the labor force was shortages of workers, and unemployment was not a major issue. Other economic issues in late 2021 included supply chain problems, shortages of many items, inflation and a shortage of housing in some areas.

The context for this discussion is the U.S. retirement environment that existed before COVID-19 and the changes during the COVID-19 pandemic. Some key points about the longer-term environment include the aging population, growing income inequality, the evolution of the “gig” economy, a major shift of risk from the employer to the individual, and the persistent low interest rates on financial instruments and bank accounts, due in part to fiscal policy. The risk shift is in part due to the move away from defined benefit (DB) plans so that most active private sector employee benefit retirement programs are defined contribution (DC) plans. There has also been a major decline in employer-sponsored retiree medical plans.

Early in the pandemic there was a major decline in equity markets and several of the essays focused on that decline. The equity markets rebounded quickly, but the essays generally focused on the period of decline and were written before the later periods of substantial growth in equity markets.

Large employers, including government entities, are more likely to sponsor retirement plans, but some employment has shifted to gig employment and smaller firms that typically do not sponsor retirement plans. Therefore, many Americans do not have access to an employer-sponsored retirement plan and some states have started offering retirement savings programs for these individuals. In addition, many Americans do not have adequate emergency funds or retirement savings. Social Security is the main source of retirement income for many retired Americans and the only source for others. While many employees have tried to work longer, there have been significant employment challenges for many who are age 50 and over. There is also racial inequality in retirement savings and assets, which largely reflects labor market issues.

A key feature of the environment is the combination of how individuals plan and the interaction of individual planning with the shift to DC plans. Many individuals plan for retirement by considering relatively short-term predictable cash flows and do not consider longer term risks. Others do not plan for retirement at all. This context may help in understanding how the different periods of the pandemic interacted with retirement planning, and also may help us understand where we are today.

A word of caution: The pandemic has been going on for over two years, and conditions with regard to employment, economic changes, and the current state of the virus have changed several times. Each of the research reports, essays and survey reports was published at a specific point in time. The developments of early 2022 are such that there is a lot of continuing change and uncertainty. It is important to focus on the specific time of publication of each document in order to understand the viewpoint taken.
THE PATH OF THE PANDEMIC IN THE U.S.

By March 2022, more than 79 million Americans were confirmed to have been infected and more than 960,000 are estimated to have died from COVID-19. Knowledge and expectations about the pandemic changed several times, and reactions by business and individuals changed as well. The chart below attempts to lay out the pandemic in time periods and relate them to retirement planning and expectations.

The first reports of a new disease came from China late in 2019 and was recognized during the first quarter of 2020 as a serious global problem. In the early days, testing was very limited and few cases were recognized in most of the U.S. New York was the early epicenter of the pandemic in the U.S. By March 2020, cases had been recognized throughout the U.S. Various degrees of lockdowns were implemented throughout the U.S. Non-essential businesses shifted to remote work or were shut down. The early expectations were that lockdowns would last a few weeks and things would go back to normal fairly quickly. The country was in shock and the stock market took a major dive.

While the value of handwashing and sanitizing was recognized early, it was unclear how the virus was spreading. The wearing of masks had not yet been widely adopted. By June, some states had started to re-open on a limited basis, but the virus continued to spread. There were several rounds of surge, typically rotating through geographic regions, as new variants emerged.

By mid-2020, it was widely adopted to wear masks and socially distance to reduce the spread of the virus. By the end of 2020, scientific studies also demonstrated that the risk of spread was considerably less outdoors.

Vaccine development was accelerated as a critical step to controlling the virus and technologies already under development prior to the pandemic offered a fast path to vaccine development and emergency use authorization. By year end, two vaccines had been approved in the U.S. for emergency use, but not for children. Vaccinations started in December 2020.

By May 2021, most adults who wanted to be vaccinated had generally been able to do so. Rates of vaccination vary greatly by geographic area, and this variation is expected to continue.

By the middle of 2021, cases had declined dramatically, and the country opened up. There were many large outdoor events around the July 4th holiday. But the relief was short lived. The Delta variant which proved to be more contagious spread rapidly and there was a new surge, focused early in states with low vaccination rates, but also affecting other areas by late August. Infection rates were higher among the unvaccinated, and those who were vaccinated with breakthrough cases were less likely to be hospitalized. Mask mandates were reinstated and plans to reopen offices and hold in-person meetings were delayed by many organizations.

As of September 2021, there were again major questions about the duration of the pandemic and its impact on the health care system.

By November 2021, the infection rates seen in September in some states had dropped markedly, but there were increasing infections in Northern states, pointing to the beginning of a winter surge as activities moved indoors. Cases were also on the rise in Europe, with major problems surfacing in Austria and Germany. Vaccines were approved for children ages 5 and older. There was continued uncertainty about what would happen and where.

By the end of December 2021, the Omicron variant, a new variant more contagious than previous variants, ran rapidly throughout the country. By year end, Omicron became the dominate variant and experts predicted serious burdens would be placed on the health system as the illness progressed.
## Table 1

### A Retirement-Focused Perspective on the Path of the Pandemic

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<th>PERIOD</th>
<th>IMPACT ON RETIREMENT PLANNING</th>
<th>SCIENTIFIC DEVELOPMENTS</th>
<th>KEY ECONOMIC AND ENVIRONMENTAL DEVELOPMENTS</th>
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<td>Late 2019–Feb 2020: Building Awareness</td>
<td>None</td>
<td>Cases of COVID-19 reported first in China and then in other places, did not know what was happening.</td>
<td>Curiosity and attempts to manage pandemic by keeping people out of U.S.</td>
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<tr>
<td>March–June 2020: Fear of survival, shock, severe economic decline; shortages of consumer goods, masks, and tests</td>
<td>CARES Act (enacted March 27) enabled earlier use of retirement funds for emergencies, DB funding holiday, assets took a dive in March and seemed very threatened. Fear about today and near-term retirements.</td>
<td>Virus identified, not well understood, huge number of cases in limited areas such as New York and nursing homes, no cures, did not understand that primary transmission is airborne, shortages of medical supplies and testing.</td>
<td>Lockdowns put in place, many people laid off, paper goods shortages, remote working and food insecurity increased, shift by both businesses and individuals to survival mode, many shutdowns, masks not recommended for general public, expectation that shutdowns would be short-term.</td>
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<tr>
<td>July–Dec 2020: Relief programs working, waiting and searching for vaccines, adapting to longer period of isolation</td>
<td>For most people, little apparent impact on longer term retirement plans. A few buyouts and early retirement windows, population very divided, economic stabilization for many with stock market recovery, people with job losses, death and family illness in varying degrees of financial stress.</td>
<td>First vaccines approved by year end, greatly increased mask wearing, social distancing, starting to have treatments, growing focus on airborne nature of disease.</td>
<td>Adaptation to virus life, reduced spending and relief funds matter, extensive use of remote work, essential workers much more vulnerable, growing death tolls, some areas open up, pockets of resistance to public health guidance and advice.</td>
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<td>Jan–May 2021: Waiting and searching for vaccines, adults get vaccinated, optimism about end of pandemic</td>
<td>American Rescue Plan Act provides funding relief for DB and multiemployer plans, stock market doing very well—about 1/3 of workers say expected time of retirement changed—little other impact on longer term retirement planning. Some workers expected to retire earlier and some later.</td>
<td>Understanding more transmission indoors, vaccine distribution involves both initial shortages and eventual oversupply.</td>
<td>The American Rescue Plan stimulus monies supported business, local and State governments, and families and individuals. Everything opens up and case rates dropped dramatically, expectation that normalcy is coming and things will open up, big split in economic impact on families—more with negative than positive impact.</td>
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<td>June–July 2021: Relief over low case rates, end of pandemic seems near</td>
<td>2021 SOA Research Institute Risk Survey shows retirees have lower level of risk concerns than previously, not surprising with reduced spending and government aid—many people have improved short term cash flows, no evidence of companies revisiting longer term retirement benefits strategy.</td>
<td>Case numbers declined dramatically, vaccination rates have wide variation by area, some recognition of COVID long haulers.</td>
<td>Fourth of July celebrations seem normal, unemployment is way down, employers focus on encouraging vaccine, new models for work and bringing people back to work.</td>
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COVID RESEARCH: WHAT’S BEEN DONE AND WHAT’S TO COME?

Table 1
A RETIREMENT-FOCUSED PERSPECTIVE ON THE PATH OF THE PANDEMIC, continued

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<th>KEY ECONOMIC AND ENVIRONMENTAL DEVELOPMENTS</th>
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<td>Aug–Oct 2021: Delta variant surge, focus on mandates, much more uncertainty about COVID-19</td>
<td>Uncertainty and malaise keep focus on shorter term, many people near retirement age have left workforce early, business retirement support mostly focused on DC plans, women leaving workforce, often because of caregiving responsibilities.</td>
<td>More recognition of long-haulers, the Delta variant reignited a new U.S. outbreak, approval of vaccine boosters, mask mandates return in some areas, vaccine mandates emerge and are controversial.</td>
<td>Backtracking on reopening and in-person meetings, business focused on reinventing the workplace, labor shortages, particularly in lower paid jobs, inflation and supply chain challenges.</td>
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<td>Nov–Dec 2021: looking forward—expectations of winter surge coming—health system pressure, inflation and supply chain are big issues, uncertainty continues and may be growing</td>
<td>Some indications that longer term retirement benefit strategies may be revisited but not happening yet, challenges to retirement system that existed pre-COVID still exist, possibility of better opportunities for older workers with flexible work options at all ages.</td>
<td>Challenges related to controlling pandemic—known problems are unvaccinated people, new variants, geographic areas with very low rates of vaccination (particularly in poor countries), Omicron variant cases increase in Europe and U.S. Predictions of serious strain on U.S. health system.</td>
<td>Adaptation continues to be the major focus, big concerns include labor shortages, supply chain and inflation, unclear how workplaces will be reinvented, but experiences of last two years will certainly influence the workplace of the future, conflict over mandates.</td>
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<td>Dec 2021–Feb 2022</td>
<td>The changes that seemed to be coming were once again delayed.</td>
<td>Omicron variant results in very large number of cases in U.S. including among vaccinated people, but the cases seem milder particularly among the vaccinated. Health system in severe trouble in some areas. By mid-February, this surge recedes.</td>
<td>Omicron increased labor shortages as some people were unable to work due to being infected (even if they were asymptomatic).</td>
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LONGER-TERM IMPACT OF THE STIMULUS PROGRAMS:

The three rounds of Federal stimulus legislation helped individuals and supported many businesses through an artificial interruption of economic activity. Federal policy during and before the pandemic artificially lower interest rates. The price of these packages included substantial increases in government debt, and market effects driven by government policy rather than market activity. At some point this debt will need to be repaid. Interest rates are likely to increase in 2022. These forces create additional uncertainty for retirement planning.
COVID-19 EXACERBATED BIG ISSUES: POVERTY, FOOD, HOUSING, FINANCIAL FRAGILITY AND NEED FOR HEALTH COVERAGE

Poverty, financial fragility, food and housing insecurity were big issues in the United States prior to the pandemic. The financially fragile generally had no or very little emergency funds and they were poorly prepared to deal with the pandemic. Many of them were in low-paid essential jobs, had higher exposure to COVID-19, and to have job issues. Few of them were in jobs which enabled remote work, and many were in jobs where they would be laid off. Government aid was particularly important to them, but it did not solve all of their problems. Those in poverty are unlikely to have any retirement resources beyond government benefits. The financially fragile and individuals experiencing food and housing insecurity are very unlikely to be saving for retirement.

**Poverty** is a significant issue in the United States. In 2019, the overall poverty rate was 10.5%. By age, it was 14.4% under age 18, 9.4% at ages 18-64 and 8.9% at age 65 and over. There were also disparities by race. The rate was 9.1% for whites, 18.8% for blacks, and 15.7% for Hispanics. By gender it was 9.4% for males and 11.5% for females. These numbers are high for a wealthy nation. Note: race/ethnic terminology used is taken directly from U.S. Census Bureau source.

The Urban Institute projected poverty in the U.S. for 2020, with and without pandemic response programs. They found that the pandemic response programs reduced the poverty rate by 3.2%, and that without those programs, an additional 10.3 million people would have been in poverty in 2020. The disparities that show up in the poverty rate are found in a variety of measures of economic security.

**Food insecurity** is related to poverty. Millions of children and families living in America face hunger and food insecurity every day. Due to the effects of the coronavirus pandemic, more than 50 million people may have experienced food insecurity in 2020, including a potential 17 million children. This compared to more than 35 million people in the United States who struggled with hunger in 2019 according to the USDA’s latest Household Food Insecurity in the United States report. Households with children are more likely to experience food insecurity. Before the coronavirus pandemic, more than 10 million children lived in food-insecure households. Many households that experience food insecurity do not qualify for federal nutrition programs and need to rely on their local food banks and other hunger relief organizations for support. The New York Times indicated substantial increases in people experiencing food and housing insecurity. As of December 2020, they reported that there were 12.7% of households experiencing food insecurity and 9.1% of households experiencing housing insecurity. As of November 2021, Feeding America projected that 42 million people, including 13 million children, would be food insecure in 2021. They also say that “Many people who have been most impacted by the pandemic were food insecure or at risk of food insecurity before COVID-19 and are facing greater hardship since COVID-19.”

**Housing insecurity** is also a substantial problem. Renters were protected from eviction during much of the pandemic, but many may become homeless. Rising costs and short supplies of rental housing and moderate cost housing for purchase may leave some of them in a horrible situation. A Consumer Financial Protection Bureau report offers some insight into this issue: “In 2020, those who have fallen behind at least three months on their mortgage increased 250 percent to over 2 million households, and is now at a level not seen since the height of the Great Recession in 2010. Collectively, these households are estimated to owe almost $90 billion in deferred principal,”

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5 U.S. Census Bureau, Income and Poverty in the United States, 2019, page 13
7 [https://www.feedingamerica.org/research/coronavirus-hunger-research](https://www.feedingamerica.org/research/coronavirus-hunger-research)
8 Koeze, Ella, How the Economy is Actually Doing, in 9 Charts, New York Times, December 17, 2020
9 [https://www.feedingamerica.org/sites/default/files/2021-03/National%20Projections%20Brief%202021-03.pdf](https://www.feedingamerica.org/sites/default/files/2021-03/National%20Projections%20Brief%202021-03.pdf)
interest, taxes and insurance payments. At the same time, we are facing a rental crisis, with over 8 million rental households behind in their rent. While there are significant differences from the last crisis, particularly a more stable mortgage market and substantial homeowner equity, there are a significant number of households at risk of losing their housing just as the U.S. economy is poised to emerge from the pandemic—a disproportionate number of them from communities of color.”

**Financial fragility** was a term defined in the Institute’s report *Financial Fragility Across the Generations* to describe respondents’ vulnerability to a financial crisis and having a negative outlook of personal finances. The Institute’s report examined issues related to financial fragility and compared results by generation. This study found that women were more likely to be financially stressed than men, and Millennials and Gen Xers were more likely to be stressed than older generations. Those with high financial fragility are most likely focused on paying their everyday bills and are likely to be in debt and working hard to manage paycheck to paycheck. This group is unlikely to be saving for retirement and many do not have emergency funds. There is little doubt that COVID-19 has increased the number of financially fragile Americans.

**Health care and costs** are a huge concern for many Americans. While the number of uninsured decreased as a result of the options which became available through the Affordable Care Act and the American Rescue Plan, health costs are still a concern for many people even with insurance. Depending on the program, premiums, deductibles and co-pays can all be concerns. Some care may not be covered. The COVID-19 pandemic has also led to some people losing coverage as they lost jobs. COVID-19 cases also used large percentages of the health care resources in some areas leading to shortages of other care during surges. In some cases, elective care was discontinued for a limited period in some geographic areas, and other care was postponed. Some households, including those with insurance, are likely to have devastating health care costs due to COVID-19 due to care at time of infection as well as later. Long COVID is often severe enough to keep someone from working.12

### DIFFERENT VIEWS ABOUT AND IMPACT OF THE PANDEMIC

The pandemic was a new situation in early 2020. New discoveries about the virus were found over time, and the science continues to evolve. The evolving situation has resulted in a myriad of public views of the pandemic and in a number of forums, heavily politicized. Unfortunately, this has led to an atmosphere of divisiveness that has often been distracting and counterproductive for the shared goals of optimal public health.

The situation that individuals faced at the beginning of 2021 often reflected a distinct dichotomy based on their economic and employment status. As noted earlier, there were major problems in the economy reflected in substantial increases in job loss and unemployment plus food and housing insecurity. In addition, essential workers and those who were not able to work remotely, had an increased exposure to infections. In contrast, the stock market was doing very well and people who could work remotely generally had continued employment income. People who could work remotely were much less likely to be infected. The large contrast in how different population segments were doing persisted throughout the pandemic. The bottom line is there is a very large difference in how economic conditions affect various population segments, and how different people may view governmental agency advice.

There are also different perspectives in another way. The pandemic is a very serious societal issue, and it has affected life in many ways. It can be viewed in isolation, or it can be viewed as one of a number of emerging risks. Traditionally, emerging and societal risks have not been very connected to thinking about retirement. The events

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of the recent years make it more important to think about how emerging risks impact retirement planning and security. As we think about the future, it is very possible that there will be more pandemics and there are a number of other important emerging risks that can affect retirement.  

**LONGER TERM UNCERTAINTIES AND UNANSWERED QUESTIONS**

Prior to the pandemic, many Americans focused primarily on the short-term, to the detriment of their retirement savings, when they did financial planning. That planning focused mainly on shorter-term expected cash flows. The pandemic affected households’ shorter-term cash flows in very different ways. Some households had major challenges with short-term cash flows, whereas many others had no cash flow problems. Lower income people were much more likely to have major problems. The American Rescue Plan Act provided some relief but that was temporary.

As of January 2022, the Omicron variant was rampant, with the expectation that severe cases and deaths would be largely among those who were not vaccinated. In February, it was definitely declining. There are a number of open questions including the following:

- How long will the pandemic continue?
- When will the pandemic be viewed as under control and not a concern in daily lives?
- What percentage of the population will ultimately get vaccinated?
- How and when will the pressures of surging infections and hospitalizations impact health care?
- What are the long-term health effects of COVID-19, and how will that impact health care costs, disability, mortality and retirement behaviors?
- What will be the role of vaccine/mask mandates in defining who can come back to work and who can attend larger events?
- How soon and will most people be traveling normally and what will that look like?
- What will be the requirements for access to normal travel including flights, cruises and other means of travel?
- When will Americans be regularly going to large sporting events, the theatre, business conventions, etc.?
- How soon and will employees return to the office?
- What will the new normal work environment look like?
- How will COVID-19, together with other changes in the workplace, lead us to new models of work?
- What changes in compensation and retirement benefits will there be as a result of the new normal?
- How will other emerging risks such as climate change, inflation, rising interest rates and cyber-risk affect retirement planning?
- How can we get people more focused on longer-term retirement planning?
- When will the U.S. address the retirement system issues, including the future of Social Security and Medicare, that existed prior to COVID-19? How will the developments during COVID-19 change the perception of these issues?
- What will be the preferred approach to help individuals without access to a retirement plan secure retirement benefits?
- Will there be more pandemics, and how frequently will new variants or viruses emerge?

If new models of work are accepted, that may lead to changes in compensation, benefits and maybe retirement benefit strategies. It seems unlikely that employers will revisit retirement benefit strategies until they have defined their new employment strategies and see some stability.

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SOA Research Institute and Other Research Findings

FINANCIAL IMPACT OF COVID-19 BY GENERATION

The 2021 Generations Survey offers insights into the situation of individuals and their perceptions by generation. Note that this survey was fielded in January 2021. That was very early in the distribution of vaccines.

Table 2

CHARACTERISTICS OF THE POPULATION BY GENERATION

<table>
<thead>
<tr>
<th>CHARACTERISTIC</th>
<th>MILLENNIALS</th>
<th>GEN X</th>
<th>LATE BOOMERS</th>
<th>EARLY BOOMERS</th>
<th>SILENT GENERATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Married or Partnered</td>
<td>64%</td>
<td>73%</td>
<td>70%</td>
<td>66%</td>
<td>58%</td>
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<tr>
<td>% with Savings over $100,000</td>
<td>33%</td>
<td>47%</td>
<td>53%</td>
<td>54%</td>
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<tr>
<td>% with Income under $50,000</td>
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<td>22%</td>
<td>29%</td>
<td>37%</td>
<td>50%</td>
</tr>
<tr>
<td>% College+</td>
<td>46%</td>
<td>46%</td>
<td>35%</td>
<td>36%</td>
<td>33%</td>
</tr>
<tr>
<td>% Employed</td>
<td>72%</td>
<td>72%</td>
<td>46%</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>% Unemployed</td>
<td>9%</td>
<td>7%</td>
<td>7%</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Financial Perspectives on Aging and Retirement Across Generations, Society of Actuaries Research Institute, 2021

Some key findings about the financial impact of COVID-19 from the 2021 Generations Survey are as follows:

- Over half of all generations indicate that the COVID-19 pandemic negatively impacted their overall feelings of wellbeing. Millennials at 65% were the most negatively impacted, and Early Boomers and Silents at 52% were the least impacted.
- The impact of the pandemic has been very uneven: 36% of respondents say the COVID-19 pandemic has negatively affected their overall financial situation while 14% say the impact of the pandemic on their finances had been positive. The Millennials were most likely to have been impacted with 40% negatively impacted, 22% positively impacted, and 38% reporting no impact. In contrast, 69% of the Silents reported no financial impact, 25% reported a negative impact, and 6% a positive impact.
- The unevenness also extends to employment: In total, 40% of Millennials, 33% of Gen Xers, and 21% of Early Boomers have experienced some sort of job loss or pay decrease. However, 11% of Millennials had their income increase and 43% had no job-related impact.
- Millennials indicated they have shifted their priority to short-term financial goals, with nearly two-thirds (64%) saying they tend to plan financially for less than one year in the future.
- Older generations are more confident in their financial security, including two-thirds of Early Boomers who feel they are on track for a financially secure retirement.
- While all generations say they reduced spending as a result of the pandemic, most have not taken other financial actions. The overall impact on finances is a result of many factors including investment performance, reductions or increases in employment income, provision of government aid, reductions in spending, and extra costs due to illness or pandemic-related matters. The net impact is different for each household.
- Social isolation has also been a problem for many people, and other research reports increases in depression and mental problems.
The 2021 Risk Survey also included some questions on COVID-19. Most pre-retirees (60%) and retirees (71%) feel that the COVID-19 pandemic had no impact on their financial situation, although 27% of the pre-retirees and 18% of retirees are more likely to feel it has had a negative impact. Pre-retirees with over $100,000 in income (18%) are far less likely to report that the pandemic had at least a somewhat negative impact on their financial situation than those with incomes under $50,000 (42%). Retirees showed a similar pattern. Most pre-retirees (57%) and retirees (71%) also feel that the COVID-19 pandemic will have no impact on their future financial situation. However, 22% of pre-retirees and 17% of retirees feel it will have a negative impact in the future. The Risk Survey was fielded in June 2021, at the point when adults who wanted a vaccine were able to get it, and before the start of the Delta variant surge, and at a time when many people felt that the pandemic was almost over. Both the Risk Survey and the Generations survey showed very different results by economic status.

Note: The Generations Survey indicated a very uneven effect of COVID-19 by generation. The individuals with lower income and assets were most likely to suffer financially and to have job problems. The survey (which was fielded in January 2021) does not provide any indication of how long it will take those who suffered financially to recover or what the long-lasting financial effects will be. It is unclear how many people have recovered and what effects remain. Information on both food and housing insecurity indicates that some people who were negatively impacted may be worse off now than before the pandemic. Some people will lose their housing or have major cost increases and debts to pay off which will make them worse off than before the pandemic. Situations where people may be worse off now than before the pandemic could include:

- Households who lost important contributors
- Households who had large uncovered medical bills
- Individuals or households who include long COVID sufferers
- Food insecure people where their situation got worse
- Housing insecure people, particularly renters, who fell behind and have debt and are facing big increases in rent
- People who had homes foreclosed
- Small business owners where the businesses failed or suffered a loss of earnings
- Workers in areas like food service, whose earnings went down, even though they did not lose jobs

An anecdotal discussion with an elementary school teacher in November 2021 indicated that the families of the children in her classroom who had major challenges had generally still not recovered from the challenges they had faced. Her school is in a tourist area and some of the parents were low paid and out of work or had little work for quite a while. The school was making special arrangements to send some of the children home with extra food for the weekends. She observed that some of the children did not get food beyond what was provided through their schools. It should be remembered that many of these families probably did not have emergency funds.
COVID-19 AND RETIREMENT SECURITY

A Note on Mortality

COVID-19 resulted in more than 960,000 deaths in the U.S. as of early March 2022. It resulted in excess deaths during the last two years. Some of the people who were infected have long-term symptoms. The SOA Research Institute is and will be studying the impact of COVID-19 on mortality longer-term and the impact on the costs of various benefit programs. The impact on longer term retirement program mortality assumptions is not yet known. This paper focuses on the retirement system and how people age and will not discuss mortality.14

Employer Learnings and Responses to COVID-19

Employer's immediate responses to COVID-19 were strongly influenced by the shutdown, the economy, having workers work from home where feasible, using newer technologies for communication, and keeping employees safe. Technologies such as Zoom and telemedicine that were available but not used much prior to COVID-19 were suddenly used a lot more and developed and improved quickly. There were winners and losers: some businesses experienced large increases in demand while others were temporarily shutdown or faced huge drops in demand. Very small businesses, such as retail stores and restaurants were particularly likely to have large reductions in demand, and many went out of business.

Some of the things that employers and people with responsible positions have learned include:

• What it is like to experience a major longer-term emergency.
• When it is really necessary, organizations can respond to challenges quickly.
• How important financial wellness and employee benefit programs can be, and how they can support response in any emergency.
• Many jobs can be done from home, and with some effort to set up a suitable workspace and compatible technology, this works well for some jobs. This has led to questions about whether these jobs should change permanently.
• There is a lot of technology available to facilitate working remotely although care needs to be taken to make sure that appropriate security is in place.
• There are different ways to communicate within organizations and with clients. Some of the newer technologies work well.
• When people with children are working from home with their children also home, it is a serious balancing act to make everything work, especially when the parents are also helping children manage remote schooling.
• Remote schooling did not work well for many children, and they fell behind.
• People can fit into different roles and perform tasks outside of their traditional roles.
• Many people are resilient.
• There are unexpected forms of leadership that work well in the new environment.

U.S. society also learned that there were concentrations of infections driven by a variety of different situations. Places where people were indoors together for long periods of exposure were particularly prone to infection. For example, workplaces and prisons could have high rates of infection and rapid spread of the virus. Gatherings such as funerals and family events or singing in a choir indoors could also lead to major spread of the disease. Some nursing homes had very high rates of infection and in many cases, deaths.

U.S. society also learned that some people are not covered by the basic governmental safety nets, and they are vulnerable. For example, the uninsured may easily be in situations where they are infected with COVID-19 and if they are not treated and isolated, it increases the chances that the rest of the population will get sick.15

14 Follow future Retirement Plans Experience Committee reports to learn about mortality impacts as they emerge.
15 There are also issues with the pandemic and homelessness.
learned that it is in everyone’s interest to have the entire population covered by a basic safety net, especially during a global pandemic.

It is expected that business innovation and the longer-term learnings from COVID-19 workplace changes may lead to some restructuring of jobs and the workplace. Employers have been responding to short-term and immediate benefit plan issues, but they have generally not yet decided what major changes in benefit strategies will serve them well for the long-term. One view is that companies will see how their business is going, they will restructure business operations and jobs, and then changes in compensation and benefits will follow to fit the new reality. Time will be needed to see how new business strategies work out in the ever-changing environment.

Immediate challenges kept benefit management busy early in the pandemic. The International Foundation of Employee Benefit Plans surveyed employers in April 2020 to learn how they had responded to COVID-19 in their retirement benefit plans. Here are some highlights from the results at the time:

• 38% of the respondents’ organizations offered DB plans. Of those organizations, 7% have reviewed actuarial assumptions and plan designs, and 29% are considering doing so. 7% have updated investment strategies and 26% are considering doing so.
• The CARES Act includes provisions to allow earlier withdrawal of plan funds in DC plans. 87% of the respondents’ organizations offered DC plans. 60% of those with DC plans added the special early distributions to their plans, and 17% are considering doing so. 45% temporarily increased plan loan provisions and 16% are considering doing so.
• 91% of the DC plans allowed hardship withdrawals, and they reported some increase in hardship withdrawals. 17% said the number of participants taking hardship withdrawals had increased, 1% said the number had decreased and 42% saw no change. The balance said it was too early to tell.
• The participants provided information about the issues where participants were asking more questions. 17% reported participants asked more questions about DC plan hardship withdrawals, 16% asked more questions about plan loans, 12% asked more questions about early retirement options and 7% reported more questions about DC plan contributions.

At the 2021 SOA Annual Meeting presentation on COVID-19, it was reported that about 5% of eligible workers took CARES-related distributions from DC accounts. It was also reported that among organizations that offered hardship withdrawals in DC plans, about 24% of participants increased use of hardship withdrawals, and among organizations offering loans, about 25% increased their loans.

COVID-19, Retirement Security and Well-Being
COVID-19 had a very disparate impact on both businesses and individuals. The impact on individual businesses has varied greatly. The extremes are new businesses responding to opportunities that emerged and some businesses having a large increase in business compared to many small businesses and some large ones going out of business. Some businesses got substantial help from Federal stimulus packages while others got little or no help. There has also been a huge variation in how individuals fared. The stock market has generally done very well and many individuals with significant assets and/or stable jobs are better off financially than at the start of the pandemic. But more Americans are worse off than the number who are better off. Some of the societal impacts of COVID-19 included over 960,000 deaths by March 2022 in the U.S., delayed medical care, some victims of the pandemic with what seems to be long-term illness, very large temporary increases in unemployment which have gradually substantially reversed, exits from the labor force, increases in food insecurity, a move to working at home, and disruption of family, travel and recreational activities. In addition, there was an increased demand for mental health support, and some increase in deaths from suicide, alcohol and opioid use. Large government aid packages offset some of the negative economic effects but at the price of large increases in government debt.

July 4, 2021 seemed to be a turning point for some Americans. There were large gatherings (often the largest gatherings since the start of the pandemic) at fireworks displays in many cities. A new normal seemed to be coming. Many employers were having trouble filling jobs and the labor market was becoming very competitive. The labor shortages increased through the Fall 2021. As of early 2022, it was unclear when and how they would be resolved.

In 2019, Congress passed the SECURE Act, pension legislation which allowed for several important improvements in DC plans. 2020 was the date for moving forward on a number of the opportunities, but COVID-19 focused employers in different directions, so implementation of SECURE Act provisions was mostly put on hold. It remains to be seen how many employers will use the key provisions of the act.

Impact of COVID-19 on the Retirement System

The Institute’s reports, Defined Benefit Plans and COVID-19: Immediate Challenges for Plan Sponsors and Defined Contribution Plans, Emergency Funds and COVID-19 offer overviews of retirement plan issues based on what those working with plan sponsors were seeing with their clients in 2020. The Institute’s report on DB plans provided separate discussions about corporate plans, multiemployer plans and public employee plans. The economic environment creates strains on the funding system, and funding relief for 2020 was provided in both the U.S. and Canada.

There was concern that the U.S. funding requirements as they existed in 2020 were very stringent and it was hoped that they would be loosened. This did not happen in 2020, but it did happen in 2021 as part of the American Rescue Plan Act. The extent of the impact of market fluctuations on a plan depended in part on its investment strategy. DB plans with a liability-driven investment strategy are likely to be less affected.

The impact of COVID-19 could have been very great for severely underfunded multi-employer plans. Those plans covering people in areas of heavy unemployment will have major drops in contributions without comparable declines in obligations. The impact of the pandemic could be to push some of the plans into bankruptcy earlier than they otherwise would have. Relief was not included in 2020, but it was included in the American Rescue Plan Act, the 2021 relief package.

In an EBRI webinar,21 the presenters mentioned a number of plan changes being considered by sponsors of DB plans including early retirement windows, in-service distributions from plans, temporary reductions to benefit accruals, phased retirement programs, and moves away from DB plans to shift more risk to employees. In a

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21 The New Landscape: COVID’s Impact on Defined Benefits, June 30, 2020
Conference Board webinar, presenters focused on three phases in the response: react and respond, recover, and reshape. The International Foundation Survey focused heavily on the react and respond phase, but this presentation focused more on the recover and reshape. Layoffs and workforce reductions were a component of business response to COVID-19. Accompanying benefit plan themes in the recovery phase include voluntary retirement incentives, flexible working hours, particularly for people with young children, and elimination of non-essential perks and benefits. Compensation themes include salary reductions, reductions in salary increase levels, lump sum payments in lieu of salary increases and revision of incentive goals. The big theme for the long term is reshape, and many companies are looking at reshaping their work arrangements as well as reducing their workforces. Themes under consideration include more flexibility for remote workers and in work arrangements. The presenters observed that employees in many companies were more concerned about their benefits since COVID-19 and employees will likely pay more attention to benefit plan details, particularly in health, life and disability benefits.

Some of the issues facing cash retirement benefits in the overall retirement system, plan sponsors and individuals included:

- Many plan sponsors in both the private and public sector were faced with declines in revenues creating liquidity problems and, in some cases, making it difficult or impossible to fund retirement benefits in 2020. Under the CARES Act, private sector DB plans were allowed to defer contributions for this year. Some DC plans have stopped or cut matching contributions, and some have temporarily reduced employees’ pay, which may also reduce retirement savings.
- Prior to COVID-19, there were major concerns about DB plan funding. COVID-19 increased the concerns about funding reform. The American Rescue Plan Act of 2021 included funding reform for DB plans and addressed the outstanding funding reform issues. It also included a solution for the funding problems of multiemployer plans. This legislation addressed both the pre-COVID and COVID-related concerns about DB plan funding.
- Retirement assets in both DB and DC plans declined early in the pandemic and then increased with good stock market performance. The longer-term effect will depend on the performance of the markets going forward and the investment strategies of the plans.
- Some individuals who lost their jobs may find it difficult or impossible to continue saving for retirement and some may have used their retirement savings early to help meet immediate needs and challenges. Some also experienced challenges because of cuts in pay or because they were helping family members who lost jobs. By mid-2021, the large increases in unemployment had largely reversed, but some businesses were badly hurt. It is unclear to what extent there will be continued instability in employment. The 2021 Generations survey indicated that Millennials and Gen Xers were the most likely to experience job disruptions, and Hispanic/Latinos were also very likely to experience job disruptions.
- In companies built through mergers, some plans have multiple layers of benefits based on time of employment and original employment. The essay, *Effects of Ephemeral Mass Unemployment*, points out that some DB plans include legacy provisions. Individuals who temporarily lose employment may lose their rights to legacy benefits under such plans. No information is provided on any special solutions to this type of situation.
- Low returns on investments create challenges for investors seeking safe investments. Fluctuations in equity returns are creating other planning and security challenges. Both of these factors also impact the funded status of DB plans since low interest rates increase plan liability measurements and reduced equity values decrease plan assets.

22 *Compensation and Benefits in a Post-COVID World*, June 30, 2020

23 Legacy provisions are plan provisions that are grandfathered, not in the current plan and apply to employees who had different benefits prior to a merger or company change. Larger companies that had multiple mergers may have a number of such provisions that apply to a group of longer service employees from an acquired company.
Many people are financially fragile, and the majority of Americans lack adequate emergency funds. Some of them have retirement savings and some do not. Short-term needs, particularly in the event of unemployment, can lead to early spending of retirement savings. COVID-19 has focused retirement system managers on the link between emergency funds and retirement security and their importance. While there have been predictions of more employer focus on emergency funds, it remains to be seen whether this will be realized.

The essay, *The Impact of COVID-19 and the CARES Act on Retirement Readiness for American Workers*, reports on modeling of needed emergency funds. The authors suggest a minimum of $1,000 and a maximum of four months’ pay. As of November 2021, it remains to be seen whether employers will focus on supporting emergency funds. There are a variety of approaches to doing this—encouraging emergency funds outside of qualified plans, improving loan provisions and making qualified plans more like lifetime savings accounts, or offering access to short-term loans on an attractive basis.

Social Security and Medicare faced lower revenues in 2020 and the economic conditions may accelerate the point at which Social Security will be forced to increase taxes and/or reduce benefits.

Under the current retirement system, larger employers generally offer retirement benefits, but many smaller organizations do not. Many Americans are responsible for saving for an adequate retirement on their own. All of these issues will make it much more difficult for both employers to help and individuals to accumulate adequate retirement assets. The impact on retirees varies by individual.

**COVID-19 and Individual Perceptions about Retirement**

Individuals’ financial perceptions about the impact of COVID-19 are found in both the 2021 Generations Survey and 2021 Risk Survey.

The 2021 Generations Survey results indicated changes in personal retirement plans: 35% of workers have changed or considered changing when they plan to retire as a result of COVID-19. Four in 10 Millennials and 3 in 10 Gen Xers and Late Boomers have changed or considered changing when they plan to retire, with about 60% of these individuals pushing retirement further back. Millennials, Gen Xers, and Late Boomers all indicate they expect to retire at a median age of 65.

It should be noted that over the long-term, life spans have increased but retirement ages have not. There are substantial differences in life spans by racial and ethnic groups. There is a societal need to focus on how and when people retire.

Saving for retirement is a major long-term goal. It is usually an important issue for people who have their short-term finances under control and have a decent emergency fund. While the pandemic does not seem to have caused a significant increase in level of concern around retirement risks in general, many 2021 Generations Survey respondents are worried about the impact the pandemic will have on their retirement savings. This concern is greatest for Millennials (57%) and Gen Xers (49%), who are very or somewhat concerned with how the pandemic will impact their retirement savings, especially around maintaining a reasonable standard of living and not having enough money to pay for adequate healthcare. This concern decreases for older generations (40% Late Boomers, 37% Early Boomers, 29% Silent Generation).

Perceptions about retirement preparedness can be connected to general feelings about finances. Feelings around many of the respondents’ financial situations are largely positive, with 40% optimistic and 34% saying they are in control. This optimism generally increases with age. About six in 10 of all generations say they are on
track in planning for a financially secure retirement. This is despite 47% being concerned about the impact the COVID-19 pandemic had on their retirement savings, with concern being highest among Millennials. Two-thirds of Early Boomers indicate they feel on track for a financially secure retirement. Almost six in 10 of the younger generations agree.

The 2021 SOA Research Institute Risk Survey had interesting findings about retirement risks considering the pandemic. Retirees’ level of concern about post-retirement risks generally dropped to a low level and there was little change in risk concerns by pre-retirees.

The SOA Research Institute 2021 Risk Survey offers additional insights into public perceptions. One of the key findings in the Risk Survey series are concerns about post-retirement risks. It does not appear that the COVID-19 pandemic had much impact on post-retirement risk concerns in the 2021 survey. As in prior iterations of this survey, pre-retirees report higher levels of concern than retirees across almost all categories. The exception to this is that retirees are a little more concerned than pre-retirees over being a victim of fraud or a scam, a finding that is repeated from previous iterations of this research.

As in 2019, pre-retirees are most likely to be at least somewhat concerned about their savings and investments keeping up with inflation (66%), being able to afford long-term care (62%) and health care (61%), depleting their savings in retirement (59%), maintaining a reasonable standard of living throughout life (59%), and that they might not be able to manage their finances someday (50%). While the author expected the COVID-19 pandemic to increase the level of concerns about retirement, there are no significant differences from 2019 to this year. And levels of concern in 2019 are lower than in prior surveys.

Retirees not only have lower levels of concerns than pre-retirees, but they also show lower levels of financial concerns in 2021 than in 2019 on a number of risk concerns. Fewer than half of retirees are at least somewhat concerned about not being able to afford long-term care (46%), compared to over half (53%) in 2019. The survey shows the same decline among other top concerns including having their investments keep up with inflation (41% versus 48% in 2019), having enough money to pay for health care (32% versus 44% in 2019), and depleting their savings (32% versus 38% in 2019). Four in ten (41%) are worried about not being able to manage their finances someday, little changed from 2019.

Retirees’ concerns in general were lower in 2021 than before the pandemic. This raises the question of whether this finding is logical. There is no direct evidence on this point. However, the planning methodology used by many retirees may offer an explanation. Many retirees plan based on relatively short-term cash flows, and they often do not consider unexpected expenses. The short-term cash flow position of retirees who were not hurt financially by the pandemic may have improved during the pandemic. Most of them would have received some stimulus payments and their spending may have gone down. During much of the pandemic, people were unable to attend entertainment events or go to restaurants. Travel was severely limited. This is a possible reason that some retirees might be less concerned. The timing of the survey may have also affected the level of concern expressed.

As in prior years, the levels of concern are very different by income level. In 2021, the levels of concern are much higher among those with lower income and asset levels. For example, while only 47% of pre-retirees with household incomes over $100,000 are at least somewhat concerned about depleting all their assets, 72% of pre-retirees with household incomes under $50,000 had this level of concern. While 65% of pre-retirees with incomes under $50,000 are at least somewhat concerned about maintaining their standard of living after their spouse’s death, only 44% of pre-retirees with over $100,000 in household income had this concern. The impact of income level was even more dramatic for retirees. For example, compared to 52% of retirees with household incomes under $35,000 who are at least somewhat concerned about depleting their assets, only 15% of those with household incomes over $75,000 have this concern.
Pre-retirees and retirees who were negatively impacted financially by the COVID-19 pandemic are far more likely to be concerned about the retirement related risks. For example, compared to 26% of retirees not affected financially by the pandemic, 61% of those negatively affected are at least somewhat concerned about depleting their savings. The rationale for this finding is potentially twofold, as the COVID-19 pandemic may have been the direct cause of their concerns, or previous financial and personal challenges left them without emergency funds, so that the COVID-19 pandemic had a bigger impact on their lives.

The survey explored how the retirees’ finances had changed during the pandemic. Most retirees reported that they are either keeping their spending the same (45%) or reducing it (45%) during the period of the pandemic. In contrast, a majority of pre-retirees report that they anticipate having to decrease their spending in the next ten years.

The Risk Survey asked about expectations for changes in finances. Most respondents believe the experience of living through the pandemic will have no impact on their approach to their management of personal finances. Although there was a change in spending expectations, only a small percentage of pre-retirees and retirees believe that the pandemic will result in more financial activity including planning, saving, contribution to emergency funds, and money management.

Despite the COVID-19 pandemic, a large majority of retirees report that they are doing either the same or better now than they expected when they were working. They also feel they are doing the same or better compared to two years ago. For example, almost half (47%) feel that their financial situation meets their expectations and another 40% feel that they are doing better than expected. The view is not universal. For instance, only 29% of Black/African Americans say they are doing better than expected (compared to 40% overall). Overall, very few (12%) feel they are doing somewhat (9%) or much worse (3%) than they expected.

In interpreting the findings about retirement, it should be remembered that there are gaps in financial literacy. This research also shows that many individuals have short planning horizons. Other research from the Institute and other sources shows that people tend to be overly optimistic about their situation. Earlier Institute research on retirement planning shows many gaps in retirement planning, including a tendency by some people to focus on regular expected expenses primarily and to believe that events such as needing substantial long-term care will happen to other people. While the survey provides a picture of perceptions, it does not provide any analysis of how well prepared the respondents are for retirement based on an analysis of their finances.

**Federal Relief Programs and Retirement Security**

There were several rounds of Federal relief during the pandemic. They addressed the day-to-day needs of Americans, increased unemployment benefits and the two major relief programs offered direct provisions related to employee benefit plans. The essay, *The Impact of COVID-19 and the CARES Act on Retirement Readiness for American Workers*, offers an overview of the CARES Act and its impact on retirement security. The authors summarize the provisions of the act, their potential impact on retirement security and how much they were utilized. The following is extracted from the Executive Summary of the paper: “The CARES Act was the largest economic stimulus package ever passed by the U.S. Government. The CARES Act provided direct payment to individuals, supported unemployment benefits, and provided payments to employers and state and local governments. It also included liberalization of certain distribution provisions for defined contribution plans as follows:

1. **Distribution Right.** Distribution right of $100,000 from the plan (not to exceed the participant’s account balance) through December 31, 2020 that is subject to special tax relief.

2. **Loan Limit Increase.** Increase in the loan limit under Code section 72(p) from $50,000 to $100,000 (or 100% of the participant’s account balance, if less) for loans made from March 27, 2020 through September 22, 2020.
3. **Loan Suspension.** Suspension of loan payment due March 27, 2020 through December 31, 2020 for up to one year.

4. **RMD Relief.** Suspension of 2020 required minimum distributions.

The first two changes, distribution right and loan limit increase, directly increase affected participants’ access to retirement savings. The third, loan suspension, provides a safety valve by temporarily reducing loan repayments. Collectively, these first three provisions reduce dollars in a participant’s account. Within the retirement community, this reduction is called “leakage,” which are dollars flowing out of the retirement system years before retirement. Studies by Vanguard have shown that participants who choose to access their retirement assets early may experience harsh effects on their retirement funds. According to Vanguard’s study, through May 31, 2020, “the median distribution amount was $10,413, the median age was 43, and the median income was about $62,000. If we assume a real investment return of 4%, researchers asserted that median participant distribution would grow to about $25,000 over the next 24 years. The fourth change, RMD Relief, provides relief by removing the requirement to liquidate a portion of your retirement savings. At the time of the CARES Act passage, the markets were down substantially, and no one knew when they would recover. This relief allowed participants to not "sell low," thereby crystallizing losses in their retirement accounts."

As indicated above, The American Rescue Plan Act of 2021, enacted March 11, 2021, relaxed minimum funding requirements for DB plans and included a solution for the funding problems of multiemployer plans. While the CARES Act provisions were short-term, the American Rescue Plan Act provisions were longer-term in nature. Also, during the pandemic, the implementation of the SECURE Act was slowed down and in 2021, Congress was considering additional SECURE Act type legislation. The SECURE legislation is primarily focused on improving DC plans.

**COVID-19 AND RETIREMENT LIFE**

**A Back-to-Basics Approach**

The essay *How Much is Enough in Light of COVID-19?* offers a fundamental discussion about retirement security from the individual perspective. The author offers a list of things that individuals should think about: “Although no single uncertainty-reduction solution will work for everyone, some actions that may help include:

1. Assess short and long-term needs under several scenarios and develop realistic goals and an action plan to avoid areas of most concern;
2. Increase savings, although this will be quite difficult in many cases;
3. Reduce expenditures and debt on a regular basis by recognizing one’s needs and adjust/downsize when appropriate;
4. Identify one or more approaches to obtain contingent funds, if needed—possibly from your grown children or a bank;
5. Make safe and realistic health and employment plans;
6. Purchase (life, health and property/casualty) insurance or annuities, as the risk of long longevity or financial loss is real for many, but be realistic regarding assessment of your health status;
7. Get a checking account, if you don’t have one, and don’t rely on expensive forms of debt such as through credit cards; and
8. Don’t over-rely on our social safety net and be sure you will be eligible for social insurance benefits, such as Social Security and Medicare (United States).

These represent moves toward sound financial risk management of income, expenditures, and debt.”

**Impact of COVID-19 on the Labor Force and Economic Environment**

COVID-19 presented a major health risk for all Americans. Related changes in the economy are important considerations in thinking about retirement planning. The Congressional Research Service Report *Global*
COVID RESEARCH: WHAT’S BEEN DONE AND WHAT’S TO COME?

Economic Effects of COVID-19 offers insights about some of the major early impacts of COVID-19. This report has been updated regularly and the various versions are a good source of then current economic conditions. Key factors early in the pandemic were drivers of employer decisions and included the following.

- Over the 13-week period from mid-March to mid-June 2020, about 46 million Americans filed for unemployment insurance. The national unemployment rate was 14.7% in April 2020 and 13.5% in May. It then dropped to 11.1% in June. (Unemployment was under 4% at the beginning of 2020.)
- U.S. GDP fell by 5.0% in the first quarter of 2020.
- The Organization for Economic Cooperation and Development (OECD) forecasts a decline in global GDP of 6.0% to 7.6% in 2020, depending on whether there is a second wave of the virus.
- The OECD, the World Bank and the International Monetary Fund (IMF) all forecast a decline in global GDP in 2020 and recovery in 2021. The World Bank forecasted the deepest recession since World War II.
- Investment markets were very unstable. Between February 14 and March 23, 2020, the Dow Jones Industrial Average lost about 1/3 of its value. From March 23 to April 15, it moved up by 18%, pairing its initial losses by half. Between April 15 and mid-June, the average has trended upward with a lot of volatility.
- On March 3, 2020, the yield on U.S. Treasury 10-year securities was below 1%.

There were huge variations on the impact of COVID-19 by geographic area, industry and race. For example, Nevada had the highest unemployment rate in May 2020, 25.3% up from 4.0% in May 2019. At the other extreme is Nebraska, with an unemployment rate of 5.2% in May 2020, up from 3.1% in May 2019. The industry with the highest unemployment rate is leisure and hospitality at 35.9% in May 2020 up from 5.0% in May 2019. Financial services had an unemployment rate of 5.7% in May 2020 up from 1.7% in May 2019. Individual organizations will have very different COVID-19 impacts.

By November 2021, the labor market situation was very different. Shortages were the big news in the labor market, and it was unclear how important they would be in 2022. An update provided the following review of the situation:

- Labor shortages are currently severe. Employers are struggling with the “Great Resignation.”
- Wages are rapidly rising, particularly for blue collar and manual service workers.
- Many older workers have retired early.
- The impact of the Delta variant of COVID-19 which had slowed the labor market seemed to be fading. However, a new variant, Omicron, has been identified and its impact is currently unknown.
- The economy was still in a reopening stage with regard to in-person service industries.

It should be pointed out that labor shortages are occurring in Europe as well as the U.S. The outlook for 2022 and beyond seems unclear.

A variety of forces seem to be contributing to the situation, and different observers point to specific areas of change. While there is agreement about the existence of labor shortages, it is a complex puzzle. Some of the factors contributing to the puzzle are:

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26 Patton, Mike, Pre and Post Coronavirus Unemployment Rates by State, Industry, Age Group, and Race, Forbes, June 28, 2020. The data on unemployment rates in his article cites the source as the Bureau of Labor Statistics.
27 From November 17, 2021 webcast from The Conference Board: “Labor Markets Watch: Update and Outlook”
28 My anecdotal observation was that people varied greatly with regard to their use of various services. I have friends who are regularly going to restaurants and others who still are not eating out and are mostly staying at home. I know more people who are limiting going out than those who are not.
COVID RESEARCH: WHAT’S BEEN DONE AND WHAT’S TO COME?

- Many women left the labor force during COVID-19. Some of them had children or older family members needing care. Some were in dual income families and found the overall situation too difficult to continue working.\(^{29}\) With the high cost of child care and difficulties in securing reliable child care, lower paid women with children have been finding that it does not pay to work outside the home.
- The aging of the Boomers has contributed to a long-term shift in the labor force and an increase in the number of retirees vs. active workers. The younger generations have more education and are less likely to go into the service jobs that are in short supply.
- Retirement ages have not kept up with population aging. Population aging is the result of changes in lifespans, different numbers of births at different times, and immigration.
- Many older workers retired earlier than planned.
- With good opportunities and chances to improve earnings by switching jobs, many workers have resigned and sought out different opportunities.
- The pandemic has led to burnout, stress, and some people changing life priorities. Some people who spent less during the pandemic have reorganized their lives.
- Gig work is an important factor, but it is shifting. During COVID-19, the number of gig workers offering services that include contact with customers (such as UBER and Lyft drivers) has declined, while the number of professionals providing independent services remotely has increased.
- Restrictions on immigration are a factor.
- During the pandemic, some workers who were in jobs like food service were able to secure other opportunities. Some studied and gained added qualifications.
- Automation has changed many jobs, and in some cases, permanently replaced them.

It is unclear how many of the women and older workers who left the labor force during COVID-19 will return, and on what basis. The older workers include people who had retired from a previous occupation and moved on to something else before completely leaving the labor force. Some individuals may have felt that they could retire earlier due to rising stock market prices, moving to a lower cost area or downsizing, and because of reduced expectations about activity in retirement.

Any move away from a job with good benefits is likely to have a significant impact on retirement security. Such a move involves a shift to more individual responsibility, loss of future employer contributions, and if one becomes self-employed, an increase in FICA tax.

As indicated above, the story of the pandemic seemed to be a story of constant change, uncertainty and different situations in different parts of the country. By late 2021, there have been several surges and periods of health care crises in different parts of the country. The stock market has rebounded but there remains uncertainty about its future. Housing prices in some areas have climbed a lot. Vaccines are generally available in the U.S. except for children under age 5 and rates of vaccination by area vary greatly. Plans about reopening offices and holding in-person meetings have changed several times, and many people are still working remotely. It is unclear how many of the people who left the labor force are likely to come back, and it is also unclear whether immigration policy will open up. Immigrants have often been a source of service workers.

COVID-19, Retirement Ages and the Employment of Older Workers

The American population (and the population in many other countries) has aged considerably over the last 50 years. The age distribution depends on longevity, fertility rates at different times and immigration at different times. The shifting age distribution has led to more retired vs. working people and to shortages of workers with various types of skills. Overall, retirement ages have not adjusted to the population aging, and there has been a

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\(^{29}\) Women’s groups and advocates have been active in pointing out the changing participation of women in the labor force. This point was featured in discussions at the 25th anniversary of the Women’s Institute for a Secure Retirement (WISER) at the end of October.
longer term disconnect between a desire on part of many Americans for flexible work arrangements before full-time retirement, business practices and public policy. The Institute has conducted several research projects on this topic. One of the COVID-19 related research projects focused on employment of older workers: COVID-19 and Working in Retirement. This report cites earlier Institute work on phased retirement.

One of the things that happened during the pandemic was some highly publicized buy-outs and early retirement windows, particularly by a few large airlines. It appears that there were not very many buyouts outside of the airline industry. There was also fallout from some of the airline buyouts. When more Americans started traveling in mid-2021, some airlines were cancelling domestic flights because they did not have enough qualified employees available to operate them.

This report and subsequent events raise many questions with regard to opportunities for older workers. In response to COVID-19, many more Americans worked remotely, and many organizations tried out different models for working. It appears most likely that after the pandemic, models of work will change and many people will be working partly in the office and partly remotely. It appears likely that there will be more flexibility. This raises questions about work options for people nearing retirement:

- What kinds of flexible work options will be available?
- Will they be able to phase down from full-time work to full-time retirement with employer support?
- How will retirement be defined in the future?

COVID-19 will not be a direct cause of any changes, but the experiences during the pandemic may stimulate new options. Prior to COVID-19 many Americans were researching options to gradually phase down but there were few institutionally supported options.

By early fall 2021, many workers had left their jobs including people who had retired earlier than planned. It is unclear how many will return to the workforce, but some are doing so already.

**Impact of COVID-19 on Retirees**

The economic changes linked to COVID-19 will affect the retirement savings of many retirees and people nearing retirement. Retirees with DB plans are less likely to have their pensions affected by these changes. COVID-19 has changed the lives of most Americans and there are some very important issues for retirees and near retirees to consider. The Institute has issued a series of reports on these topics. Reports and essays which focus directly on issues during retirement include:

**Essays:**

*Will Retirement Change Due to COVID-19?* This essay focuses on everyday life during retirement and how it is affected by COVID-19.

*Are CCRCs and Senior Housing Communities a Good Choice? COVID-19 and Risk in Arrangements for Senior Housing and Support* This essay focuses on the choice of different types of housing arrangements, and on unexpected issues.

**Research reports:**

*Impact of COVID-19 on Family Dynamics in Retirement*, 2020, Family is an important part of retirement life and the impact of COVID-19 on that link.


Key issues include the following:

• Individuals who reach retirement age with less savings than they planned may try to delay retirement, and this will work out for some but not others. More retirees may try to work and/or phase into retirement. The 2021 Generations Survey indicated that about 1/3 of respondents planned to change their retirement ages, and the majority of these individuals planned to delay retirement.

• Some individuals will retire earlier than planned because of health concerns and a desire not to be exposed to the virus, or because of job-related issues or job loss. There was evidence of intent to retire earlier in the 2021 Generations Survey. In the fall of 2021, there was evidence of many people leaving their jobs and of some early retirees returning to the workforce.31

• Many people who were already retired faced less economic impact from COVID-19 than those in the workforce. Social Security is the largest share of income for many retirees. Retirees who do not need to sell assets to pay regular living expenses often are not affected much by short-term market fluctuations. While low interest rates persist, inflation has increased in 2021. It remains to be seen how much of this is permanent, and it is unclear how much is related to COVID-19.

• Social engagement is very important for retirees. In the Sightlines research,32 it has been identified as one of three domains that are important for successful aging. COVID-19 disrupted most traditional forms of social engagement in 2020. In 2021, vaccines became available to Americans, and social engagement resumed partially in the spring and summer. Then the Delta variant led to a new surge in the virus, slowing and limiting the resumption of social engagement and many activities. Technology-based social engagement, such as Zoom calls and social media groups, are a partial substitute for in-person encounters. By the fall of 2021, in-person social engagement was partly restored. For example, in Chicago, some theatres had reopened but they required proof of vaccination and masks to attend the performances.

• COVID-19 limited and in some cases cut-off access to family for retirees in 2020. In 2021, there has been some but not full resumption of family access.33 There was considerable uncertainty about this as of September because of the Delta variant. Some families are excluding unvaccinated family members from family gatherings. Seeing family is very important to many retirees, and for those who need help with a variety of chores or other activities, family is often the first and most important source of help. COVID-19 created challenges for both retirees and their family members, most often adult children, complicating their ability to provide support to aging family members.

• Many retirees are in high-risk groups for COVID-19. This created additional challenges for retirees living in multi-generational households. This was particularly difficult if anyone in the household was an essential worker. However, it seems likely that more retirees may live in multi-generational households in the future, but they may try to find living space where the generations have access to separate as well as shared space.


32 The Sightlines Research from the Stanford Center on Longevity focuses on domains for successful aging. The Society of Actuaries Research Institute is one of the sponsors of this research.

33 For example, there was widespread guidance given with regard to Thanksgiving 2021. In general, a small family group who were fully vaccinated could get together. However, if people were traveling and/or in contact with unvaccinated people, they were encouraged to get tested in addition to be fully vaccinated. And if there were severely immune-compromised people in a group, then mask wearing was encouraged in addition to requiring vaccinations and doing some testing.

34 https://www.aarp.org/caregiving/health/info-2020/coronavirus-nursing-home-cases-deaths.html As of June 11, 2020, 43,000 deaths had been reported in nursing homes and other senior communities involving support. This represents about 1/3 of the U.S. COVID-19 deaths and is based on incomplete data. This website will be updated.
locked down for several months and did not allow any visitors. In some, residents were not allowed to leave their personal space. It seems unclear which COVID-19 experiences will influence the ongoing and future structure of communities and the choices seniors make about living arrangements.

- COVID-19 disrupted the usual access to health care and support services for many retirees. As states reopened, there was less disruption, but retirees may remain reluctant to visit medical offices because of infection risk. The surge in the late summer of 2021 has also again cut off access to some non-emergency surgeries and it has overburdened emergency rooms and hospitals in some areas. It is completely unclear how many people will have long term health effects of COVID-19 and what resources will be needed to deal with them. Telemedicine is rapidly growing in popularity and may remain as part of the landscape. Many older individuals have family members take them to the doctor. This may have been disrupted. Individuals with chronic conditions who normally see health care providers fairly often may be working out new arrangements. Where support services mean that someone is visiting the home of the retiree, the retiree and support service need to decide whether they wish to continue the service if either party is not vaccinated.

- Active retirees may have planned for substantial travel, volunteering at local not-for-profits, attending sporting events, going to the theatre, etc. Many of these activities stopped for months. Some were reopened and then shut down again. Retirees will need to decide which they wish to resume and when.

**Housing Issues and Long-term Care**

Housing was a major topic of some of the COVID-19 related research and it was also a focus of earlier Institute research. The COVID-19 related reports included:

- *Impact of COVID-19 on Senior Housing and Support Choices*
- *Impact of COVID-19 on Family Dynamics in Retirement*
- *Essay: Are CCRCs and Senior Housing Communities a Good Choice? COVID-19 and Risk in Arrangements for Senior Housing and Support*

There are two major sets of housing issues to be considered: the market in general and housing choices for seniors. The first is part of the overall economic environment and the second is an important part of retirement planning and management.

The market in general: COVID-19 had several major influences on the housing market. With many people working from home and others at home laid off while children were being home-schooled, there was a demand for larger living spaces and for improving living spaces. It was also less important to be near a place of work. Supplies of materials for building and improvements were down and the prices for these materials shot up. There was an overall demand for more houses than the available supply.

Some areas of the country, for example areas with high-tech growth such as Seattle and Austin, saw major growth in employment and extremely hot housing markets. Buyers were getting multiple bids for houses, often at well above asking price, and houses were selling very quickly. Other areas were having entirely different experiences. Some downtown cities are likely to find that they have a lot of vacant office space two or three years from now.

Rents were also going up in many areas and rental housing was in short supply. Households who were seeking new housing could easily find that their financial picture was disrupted, and that they were much less able to save for retirement. Many middle-income American families have reached retirement for years with the greatest part of their assets in their home. One of the big questions for such families who bought housing at higher prices going forward is whether these values will hold, or whether they will decline again. Drops in house prices were a significant part of the Great Recession in 2008.
Another big question is whether housing decisions influenced by COVID-19 considerations will still be preferred choices a few years from now.

Housing at older ages: Choice of housing is a major retirement decision, and it has a big impact on quality of life in retirement. Housing choice is an important part of retirement planning and managing physical needs. Housing is the greatest expense for most older Americans. For many middle-income Americans who own their own home, the value of their home is the largest component of their assets. Housing choices define access to transportation, shopping, family, friends and a variety of services. One of the Institute Decision Briefs discusses housing choices and housing has been a topic of focus in the risk survey series. Other Institute research exploring the retirement experiences at ages 85 and over showed that many in this group need regular help, but it is often not planned for. Often family is an important source for this support. Most people prefer to age in their own homes, but the type of housing needed can change over time if physical and cognitive abilities decline. A range of different living options can be integrated with services, including reduced responsibility for home maintenance, a level of general support, and other care with housing.

Considerations in choosing a living situation are different for couples and solo agers. The match of an individual’s home to their needs depends on their capabilities and the physical configuration of the home. Often a home will need to be modified to make living there more accessible and feasible. Some housing integrates access with a formal program of support, while other housing provides informal access to support.

There are essentially four major levels of specialized senior housing and moving to them is prompted for various reasons. The major types of options are:

- **Active senior living**: home in a 55+ community with a variety of recreational activities and probably some added security.
- **Independent living**: home or apartment in specialized community with recreational and support services, probably including some meals, entertainment and activities, housekeeping, transportation, and added security.
- **Assisted living**: includes same services as independent living plus some personal care, mobility support, and access to help with medication.
- **Nursing home and memory care units**: offer skilled care.

One specific form of community, known as a continuing care retirement community (CCRC), formally links together multiple levels of support. This type of community may have financing arrangements that reflect a link to multiple support levels and may have substantial entrance fees. CCRCs fit the needs of active seniors who are ready for some help and want a certain lifestyle but also want access to more support when they need it. This housing choice may be more attractive to people who can afford more upscale accommodations in a community with many activities and on-site access to care.

In addition, some cities offer access to formal and informal support and activities in the community without having to move into senior housing. For example, the Village movement offers such support without moving into

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35 Where to Live in Retirement, [https://www.soa.org/globalassets/assets/files/research/research-pen-housing.pdf](https://www.soa.org/globalassets/assets/files/research/research-pen-housing.pdf)

36 Housing was a major topic in the 2017 SOA Research Institute Risks and Process of Retirement Survey.

37 In a paper prepared for the SOA Research Institute, Anna Rappaport explores the issues related to supporting an older declining parent. The paper, Improving Retirement by Integrating Family, Friends, Housing and Support, published in 2014 by the Society of Actuaries Research Institute, provides insights on the different types of support options that are available, the risks that are involved, and the experiences of people with them in normal times.

38 Villages are local organizations that offer older individuals a chance to connect in their communities and they may offer information or access to support services. [https://www.vtvnetwork.org](https://www.vtvnetwork.org)
COVID-19 created major challenges both to seniors who lived in their own homes and to those in specialized senior communities. The challenges of addressing COVID-19 have prompted a variety of suggested emergency responses and raised questions of risk management for senior housing and caregiving. Lockdowns were a major response in the spring of 2020, and they affected people in their own homes as well as people in senior housing. The intensity of the pandemic, and the length and extent of lockdowns and impact on the local health care system varied by geographic area.

People with limitations in either their own homes or in senior housing were substantially impacted by the pandemic.

The Institute research report included comments from an online conversation focused on senior housing communities during the earlier states of the pandemic. Some of the comments included:

- Senior housing communities where people can do joint activities, socialize and so on can be fertile breeding grounds for COVID-19, resulting in tragic situations. Consequently, the goals of risk mitigation programs generally are to prevent the disease from entering a community and, if it is there, to try to prevent it from spreading.
- Most senior housing facilities discontinued community activities and communal dining. During the initial phases of the pandemic, they generally required residents to stay in their own rooms, with meals being delivered. Socialization and exercise are important to everyone, and the restrictions on activity could be very detrimental to the residents’ well-being.
- Many senior housing communities, assisted living residences, and nursing homes had banned all visitors, including family members supporting the care of the resident.
- Some allowed residents to go out of the community and visit their family and then return. There was variation in whether people returning were required to go into quarantine or other isolation.
- All of these communities had to address questions about how to care for people if they became infected.

People who were at home during lockdown periods were often able to go out and walk in order to get exercise. Senior housing varied with regard to whether this was feasible.

**Family issues**

The SOA Research Institute post-retirement research has recognized how important family is as a part of retirement for many families. While most families do not plan for family support, family is an important source of help when it is needed later in retirement.

COVID-19 created many challenges for families, who were often not able to see family members for the first year of the pandemic.

**COVID-19 AND RACIAL AND ETHNIC DISPARITIES**

There are disparities in retirement security by ethnic group and also disparities in how much the groups were impacted by COVID-19. The 2021 Generations Survey included oversample groups for three racial and ethnic groups. Other research has shown that there are large differences in financial fragility by race and also large

39 For individuals who are eligible for Medicaid, the options for care are limited by what is covered by and available through the Medicaid program. This varies by local area.

40 The problem of infectious disease spreading in these communities was not a new issue with COVID-19, but it seems to be different because COVID-19 is so contagious.
differences in infection rates and deaths from the pandemic by race. The 2021 Generations Survey shows the intersection of COVID impact and racial and ethnic disparities.

In the 2021 Generations Survey, Hispanic/Latinos were most likely to report that their finances were affected by COVID-19. 57% of Hispanic/Latino respondents report that the COVID-19 pandemic had an overall negative effect on their finances and almost half experienced a job loss or pay decrease. This contrasts with 37% of Black/African American respondents and 35% of Asian American respondents reporting a negative impact on their finances.

Data from the 2021 Generations Survey shows that the economic status of the Asian American respondents is better than average. The Black/African Americans had the lowest income and assets of the various groups. Both the Black/African American and Hispanic/Latino respondents had lower income and assets than the overall average.

Table 3
CHARACTERISTICS OF DIFFERENT GROUPS BY RACE AND ETHNICITY

<table>
<thead>
<tr>
<th></th>
<th>ALL RESPONDENTS</th>
<th>BLACK/AFRICAN AMERICAN</th>
<th>ASIAN AMERICAN</th>
<th>HISPANIC/LATINO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of Savings and Investments</td>
<td>&lt;$100,000: 47% 44%</td>
<td>&lt;$100,000: 66% 24%</td>
<td>&lt;$100,000: 42% 52%</td>
<td>&lt;$100,000: 62% 30%</td>
</tr>
<tr>
<td>Household Income (2020)</td>
<td>&lt;$50,000: 29% 30%</td>
<td>&lt;$50,000: 43% 28%</td>
<td>&lt;$50,000: 19% 55%</td>
<td>&lt;$50,000: 35% 32%</td>
</tr>
<tr>
<td>Home Ownership</td>
<td>72%</td>
<td>49%</td>
<td>72%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Note: The values do not add to 100% because of “prefer not to answer” responses
Source: Financial Perspectives on Aging and Retirement Across Generations, Society of Actuaries Research Institute, 2021

The 2021 Generations Survey offered insights into how different racial and ethnic groups reported the impact of the pandemic.

Table 4
IMPACT OF THE PANDEMIC BY RACE AND ETHNICITY

<table>
<thead>
<tr>
<th></th>
<th>ALL RESPONDENTS</th>
<th>BLACK/AFRICAN AMERICAN</th>
<th>ASIAN AMERICAN</th>
<th>HISPANIC/LATINO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported negative financial impact from COVID-19</td>
<td>36%</td>
<td>37%</td>
<td>35%</td>
<td>57%</td>
</tr>
<tr>
<td>Experienced job loss or pay decrease from COVID-19</td>
<td>28%</td>
<td>35%</td>
<td>28%</td>
<td>45%</td>
</tr>
<tr>
<td>Level of Debt is Complicating Finances</td>
<td>33%</td>
<td>28%</td>
<td>29%</td>
<td>43%</td>
</tr>
<tr>
<td>Experienced Negative Impact on Levels of Debt from COVID-19</td>
<td>23%</td>
<td>27%</td>
<td>14%</td>
<td>43%</td>
</tr>
<tr>
<td>More concerned adult children will need financial help since COVID-19</td>
<td>28%</td>
<td>29%</td>
<td>32%</td>
<td>44%</td>
</tr>
<tr>
<td>More concerned parents will need financial help since COVID-19</td>
<td>20%</td>
<td>20%</td>
<td>28%</td>
<td>42%</td>
</tr>
</tbody>
</table>

Source: Financial Perspectives on Aging and Retirement Across Generations, Society of Actuaries Research Institute, 2021

The survey documented substantial disparities by race and ethnicity. Some part of this disparity is a reflection of differences in economic status and some part is due to other factors. More work is needed to understand the differences.
THINKING ABOUT THE FUTURE

COVID-19 may have long-lasting ramifications for future retirement security and employee benefit plans including financial wellness programs, DB and DC plans. It also can have an impact on other benefits which have an impact on retirement security as well. The essay Employee Benefits after COVID-19 discusses a wide range of employee benefit issues.

The future of the retirement system will be influenced by the overall system structure, employer/plan sponsor issues, a wide range of employee benefit plan issues and individual responsibility and issues. Expectations are that there will be reshaping of companies and their workforces, that compensation programs will respond to the reshaping of the workforce and that benefits will ultimately be adjusted and likely redesigned. As people have lived through COVID-19, they have learned to make do with different adaptations and solutions, and the experience has opened them up to other ideas. Disruptions often lead to winners and losers. This raises many questions for retirement security systems and life in general.

Employees have very different personal situations. A recent survey by the Bank of America41 found that 95% of employers feel a sense of responsibility for the financial wellness of their employees. And many employers are trying to help them address a wide variety of benefit plan issues. COVID-19 did not eliminate any needs for benefits, and for many people, it created some new ones. These benefit issues are interwoven with employment policy.

UPDATING EMPLOYEE BENEFITS

There are a variety of views on system structure and what role the employer will play. It is possible that the aftermath of COVID-19 will accelerate the interest in discussion of coverage and alternatives to the present system.

It is too early to predict what changes will follow. Open questions include:

**Employer-related questions**
- Will the events of the last few years change the employment relationship and/or encourage rethinking how retirement risk should be shared and managed in society?
- Will organizations that transformed their business also transform their benefits?
- Should our organization require employees to return to the office, or continue to permit remote work arrangements? Should the organization provide options and to whom, and what employee benefits does the organization need to change or add?
- How will longer term COVID-19 effects impact the workforce?
- What influence will workforce shortages have on employee benefits?
- Will the role of the employer in providing retirement security change?
- Will DC plans become multi-purpose lifetime savings plans? Will sponsors be willing to add annuity options as a result of the SECURE Act?
- How will employers support the use of emergency funds, and will they have additional options to use for such support? Will they be integrated with or separate from DC plans?
- Will the asset exposure and increased early usage of DC plan assets during the pandemic cause renewed interest in retirement plan approaches that provide pooling for longevity and investment risk?

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• As fewer employees are covered by well-funded DB plans, how many Americans will have a secure retirement?
• How will gig workers finance their retirement and health care?
• Will employers promote increases in Social Security benefits and/or better funding for Social Security?
• Will the heavy reliance on DC plans cause employees to defer retirement, fearing that they need to build a larger cushion to protect against the next crisis?
• What will this mean for employer workforce management and the role of the retirement plan in that management?
• What are appropriate retirement ages for the future and what messages should be provided to employees about them?
• What messages provided in high school, college and early in careers will help individuals have a stronger lifetime financial plan?
• Will the increase in the acceptance of working from home make phased retirement and project work by retirees more commonplace?
• Will more employers focus on protecting retirement security in the event of disability? (While most DB plans offer some protection, most DC plans do not.)
• Will multiple employer plans as authorized by the SECURE Act grow, and will this encourage more small employers to provide retirement coverage to employees?
• How do employers help employees factor climate change and cybersecurity risks into their financial and retirement planning? What other emerging risks should we be considering?
• How do employers help employees think about economic uncertainty?

Questions about related policy and societal matters
• How should Social Security and/or Medicare benefits or taxes be modified?
• How will single employer DB funding reform enacted in 2021 influence the retirement system?
• How will multiemployer legislation passed in 2021 influence the retirement system and the multiemployer PBGC program?
• Will state and local governments be able to improve the stability of their programs?
• Will future pension reform enable more options for risk sharing and will risk sharing arrangements gain more favor in the U.S. like they have in other countries?
• Will a potential further decline in the number of DB plans lead to a public push for expanded Social Security benefits?
• Will long-term COVID-19 effects increase the focus on disability and health benefits?

Financial planning and emerging risks
• Will the experiences during the pandemic encourage more active planning?
• Will employer sponsorship of financial wellness programs encourage more active planning?
• What societal actions can extend the planning horizons of people who are living paycheck to paycheck or planning for current circumstances only?
• What debt issues should employers help employees address? Which issues are critically important for the financially fragile, and for individuals for whom debt is dominating their short-term financial concerns? Should our organization assist employees in understanding the use of credit and long-term impact of debt, such as student loans and credit card debt?
• What is needed for incenting, encouraging, and facilitating employees building emergency funds?
• Who can help employees who have childcare responsibilities, and whose children had school disrupted during the pandemic?
• What housing issues are employees concerned about? Should employers and/or public programs have a role in helping them with these issues?
Health and Disability
Health and disability coverage during working years are important in establishing a foundation for a secure retirement. Here are some questions about health and disability benefits.

- What is the potential impact of virus variants on business, people and workplaces, and how will that impact employee benefits?
- How does our society deal with continuing infections, especially as they affect people at younger ages? What is their impact on health, life, and disability benefits, and on family leave and child-care?
- What will long haulers mean to us? What are the long-term health issues connected to the pandemic and what measures do we need to consider?
- How will rates and periods of disability change? Do policymakers, financial service organizations and employers need to improve disability benefits? How does our society deal with the lack of appreciation for disability benefits?

PREDICTIONS
Following are a set of the author's predictions for retirement life and security over the longer-term future:

- Many retirees will be diligent about social distancing and wearing masks, and some are likely to remain very isolated until they feel that everyone around them has been vaccinated.
- Job options will evolve and some of them will create opportunities for retirees who want to work on a part-time basis.
- All benefits, including retirement benefits, will grow in importance as part of the employment package.
- Employers will revisit their benefit strategies.
- There will be increased recognition of the importance of emergency funds and more employers will offer support for emergency funds.
- Some people will want to work longer before retiring.
- Family support will be part of retirement security for some people.
- There will be more multi-generational households.
- There will be innovation and some restructuring of retirement communities. New living options and housing options will emerge.
- There will be major discussions about how to offer retirement security to people who do not have employer plans. Finding solutions will be difficult as there are major differences of opinion about related policy matters.
- Major employers will be more open to consider alternatives to traditional DB and DC plans and find a different form of risk sharing. Companies operating in multiple countries are more likely to have experience with alternatives.
- The public will place more value on risk sharing.
- There may also be more openness to considering alternatives to the existing employer-based retirement system.
Conclusion

Before COVID-19, the American retirement system needed to address a number of issues:

- Getting Social Security and Medicare into financial balance.
- Finding better solutions for people without access to an employer-sponsored plan for pre-retirees.
- Reviewing the amount of risk being placed on participants and determining whether this is desirable in the long run.
- Improving the choices made during the payout period.

COVID-19 added new challenges and the experiences during the pandemic will likely influence the life choices made later.

COVID-19 has taught Americans to live with important short-term changes in our lives, and it has also created a lot of uncertainty about the longer term. Within the business community, there will be winners and losers. Some organizations will transform themselves.

It seems very likely that some of the things that happened during the pandemic will help define the future of work including:

- More people working remotely and more job flexibility.
- An expectation that the increased resilience and speed of change during the pandemic will be a future norm.
- Continued use of advanced automation and a continuation of technological development.

This may also mean that employee benefits will change going forward. To date, there has not been much reconsideration of retirement strategy and policy, but such reconsideration will likely take place after the situation stabilizes and the workplace reaches a new normal.

Before COVID-19, many people planned for retirement through the use of short-term predictable cash flows. This is unlikely to change. The problems that existed before COVID-19 will not go away. Thought is needed about what the system should look like and how to get there.

A NOTE FOR READERS

During the time that this work was being produced, the Institute was working to distribute their work both within the SOA and more broadly. Readers are encouraged to share this report and the references listed below with others.
References related to COVID-19 and Retirement

SOCIETY OF ACTUARIES RESEARCH INSTITUTE PUBLICATIONS


CONSUMER RESEARCH FROM THE SOCIETY OF ACTUARIES RESEARCH INSTITUTE

- SOA Research Institute 2021 consumer survey—this was the second round of this survey, and an area of major emphasis was COVID-19. There are two major reports from this survey—an overall report and one focused on results by race and ethnicity.
  - Financial Perspectives on Aging and Retirement Across the Generations
ESSAYS FROM THE SOCIETY OF ACTUARIES RESEARCH INSTITUTE

- **Employee Benefits after COVID-19**  
  by Anna Rappaport

- **The Impact of COVID-19 and the CARES Act on Retirement Readiness for American Workers**  
  by Daniel Cassidy and Meghan Malachi

- **How Much is Enough in Light of COVID-19?**  
  by Sam Gutterman

- **The Impact of Recent Market Volatility on Financial and Retirement Planning**  
  by Toby White

- **Will Retirement Change Due to COVID-19?**  
  by Linda Koco

- **Lessons for Retirement Annuities from Coronavirus Induced Economic Turbulence**  
  by Thomas L. Hungerford

- **Effects of Ephemeral Mass Unemployment**  
  by Jack Lund

- **Are CCRCs and Senior Housing Communities a Good Choice? COVID-19 and Risk in Arrangements for Senior Housing and Support**  
  by Anna M. Rappaport

- **Managing “Black Swan” Stock Market Risks in Retirement**  
  by Kenneth Steiner

OTHER RESEARCH FROM THE SOCIETY OF ACTUARIES RESEARCH INSTITUTE


EMERGING RISK RESEARCH

- **14th Annual Survey of Emerging Risks**, Society of Actuaries Research Institute, [https://www.soa.org/resources/research-reports/2021/14th-annual-survey/](https://www.soa.org/resources/research-reports/2021/14th-annual-survey/)

OTHER REFERENCES


- **Employee Benefits in a COVID-19 World**, International Foundation of Employee Benefit Plans, April 2020 and Updated November 2020


HOW TO ACCESS THE RESEARCH

The full reports from the work of the Committee can be downloaded from the Aging and Post-Retirement Research page on the SOA website at [https://www.soa.org/research/topics/aging-ret-res-report-list/](https://www.soa.org/research/topics/aging-ret-res-report-list/).