vol. 35, no. 6
september 2001
the actuary
the newsletter of the Society of Actuaries

Perspectives on our Aging Society and this issue of *The Actuary*

by Anna M. Rappaport

Many countries are faced with major population aging – as a result of forces such as longer life spans, migration patterns, and declining birth rates. As a large number of actuaries work with long-term programs to ensure financial security, the profession has a major role to play in the structuring and management of such programs. This issue of *The Actuary* is one of a series of activities undertaken by the Society of Actuaries to support the profession as we seek to understand these issues and deal with them effectively.

I see this issue as affecting all areas of practice, and while it is easy to focus on the retirement benefit aspects, there are related issues for life, finance and health actuaries as well.

This issue includes three expert panels – one focuses on changes in the way we are aging and in our overall needs, another focuses on the implications of these trends for employee benefit plans, and the third focuses on the implications of these trends for financial products. It also includes articles on related topics and announcements of forthcoming events in North America and the United Kingdom which are heavily linked to aging society issues.

I want to highlight the first panel which focuses on broad issues within our society, and point out a couple of areas where our other panels did not explore some of the key areas of change:

- We can expect much greater diversity in our aged population. The future aged will be ethnically diverse and have different expectations about the role of the family. They will also have different family issues.

- There are likely to be changes in the way we die. This came up in the first panel, but was not fully explored. There are also issues around controlling our medical care and what choices we make about care. Will we have more advance directives and use them differently? Will we have different standards about care?

These are interesting questions for us to ponder as we see society changing around us.

In the discussion reported here, we do not see much focus on post-retirement risks and how they are managed. This is a major concern in thinking about aging society, and has been the subject of the September 2000 Actuary, and of the Retirement Needs Framework monograph. The SOA is working with Mathew Greenwald and Associates to do public opinion research on this topic.

inside

theactuary
the newsletter of the
Society of Actuaries
Vol. 35, No. 6 • September 2001

Anna Rappaport
Editor responsible for this issue

***The Actuary* welcomes articles and letters.**
Send correspondence to:
The Actuary
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475 North Martingale Road, Suite 800
Schaumburg, IL 60173-2226
Web site: *www.soa.org*

The Actuary is published monthly
(except July and August).
Robert L. Brown, FSA, President
Robert M. Beuerlein, FSA, Director of Publications

Nonmember subscriptions: students, $15; others, $30.
Send subscriptions to: Society of Actuaries, P.O. Box
95668, Chicago, IL 60694.

editorial

SOA's Strategic Plan

by Anna M. Rappaport

In the April 2001 edition of *The Actuary* Rob Brown presented his views of the SOA's strategic plan. The plan is cohesive, well organized, and an important step in the management of the SOA. I present here a different view of how we might achieve our goals.

For approximately the past ten years, the SOA has been working to broaden the scope of the profession and its visibility in the outside world. These ideas were formalized in the mission statement that was developed during David Holland's presidency in 1996-97. I believe that during the past decade there has been relatively little disagreement about these goals, but rather different ideas about how to achieve them. The notion of the "Big Tent" provided an eloquent way to capture these ideas in two simple words, but their meaning is not clear.

Rob Brown suggested two strategies that he believes are critical to achieving these goals – alternate route and QRS. I do not know whether they will be adopted, and, if so, whether they will meet the goals. I suggest that we need other initiatives as well, and that these initiatives are important in meeting our goals.

Partnerships with non-actuarial professional bodies that have overlapping interests in education and research can help to meet our goals. Multi-disciplinary efforts are often more effective, and by engaging in such efforts we can become better known and expand our horizons. The article "SOA Gives Actuaries Ways to Address Risks of Elderly" in the April issue of *The Actuary* describes several such initiatives that started in 1997. Many actuaries have branched out into related fields and essentially become "pioneers." Several actuaries with nontraditional jobs were interviewed for the March issue of *The Actuary*. Some of the actuaries who choose such jobs remain active in the profession, but others become inactive, or even drop out, because the profession offers relatively little to them in the way of membership services. We need to support these pioneers. This will be vital if the QRS produces new professionals who are affiliated with the SOA. If we don't offer them meaningful member services, they will leave us.

In addition, we need to be better known outside of the profession. One of our key audiences is people who are choosing their future careers and those who advise them. Rob mentions schools that offer good quantitative programs but not actuarial science that might be candidates for QRS programs. Our firm has recently recruited actuarial students from schools like this and has been very pleased with the results. However, we found that many students in their junior year did not know about the profession but were very interested after they learned about it. We need to strengthen our career encouragement programs and increase the number of people who leave high school knowing about the profession and thinking about it as a career option.

These initiatives are compatible with the strategic plan, and might even be implied by the strategies. However, I see each of them as important enough to be explicitly stated.

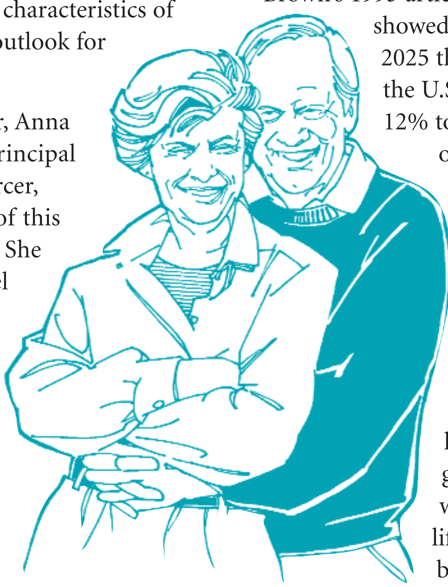
I close with one observation about Rob's conversation. He indicates that past presidents set strategic direction for the SOA. I see this as a strong overstatement. The strategic planning committee, chaired by the President-Elect, brought a plan and new ideas to the Board of Governors. The President-Elect had a great deal of influence over the agenda of the strategic planning committee, and in that way over the emphasis shown. During the time I served as President, and in the years during which I served on the Board, it played an active role. Board members were quick to challenge, and certainly did not extend their approval to different ideas lightly. Generally, they asked for membership input on major items.

The new face of aging

by Linda Heacox, SOA Marketing Communications Manager

As the size of the elderly population in the United States increases, the very concept of aging is changing. Work, education, family care, and volunteer activities are merging with leisure for new life patterns. Medicine has helped us find paths to stay healthy and avoid disability longer.

In the world of U.S. seniors, both problems and resources are changing quickly. *The Actuary* convened an inter-disciplinary panel to kick off this month's issue which focuses on the characteristics of aging today and the outlook for the future.



The panel moderator, Anna M. Rappaport, is a principal with William M. Mercer, Chicago, and editor of this issue of *The Actuary.* She is joined on the panel by Robert B. Friedland of the Center on an Aging Society at Georgetown University, a policy institute; James Jackson, director of the Research Center for Group Dynamics, Institute of Social Research at the University of Michigan, who focuses on research on the nature of the African American population, life course issues and aging among this population; P. J. Eric Stallard, research professor of demographic studies and associate director of the Center for Demographic Studies at Duke University, director of the Center for Demographic Studies at Duke University, where he conducts and analyzes the National Long Term Care Survey; and Denise Wassenaar, executive vice president of the Health Resources Alliance, Oakbrook, Ill. where she designs and implements wellness and prevention programs for older adults and focuses on research on exercise physiology.

Anna Rappaport—*How is aging changing in the U.S.? What are the most important issues?*

Eric Stallard—It's worthwhile to distinguish between individual aging and population aging. When you talk about population aging, you are really talking about growth in the percentage of the population in retirement ages. Rob Brown's 1995 article in *Transactions* showed that between 1985 and 2025 the fraction at age 65+ in the U.S. will jump from about 12% to 19.5%, with almost all of the increase occurring after 2010. There will be more than a 50% increase of people 65 and older just 24 years from now. When you talk about individual aging that's very different. The issue here is that each new generation of retirees will have longer residual life expectancies and better health than previous generations. These changes in individual aging mean that you can't just look at what happened to previous generations of retirees when planning your own retirement. You need to take into account a relatively modest increase in your own residual life expectancy at age 65 — about one year per calendar decade. Over five decades, you're looking at five extra years, and that's a lot

Robert Friedland— Much of population aging is due to declining fertility rates. That in and of itself has policy implications especially when we talk about long term care and education.

James Jackson—To expand on Robert's point, this decline in fertility means more older members in families. But also, the make up of the population will be very different. The population will be much more mixed racially, ethnically. Projections say at around the year 2025, 20% of the population will be other than non-Hispanic white and by mid century, about 33% of the population will be other than non-Hispanic white. That's a large change.

Denise Wassenaar—I view aging from a slightly different perspective. The paradigm of aging is shifting from one of a frail population to one of healthier aging. The process of aging is going to improve for the upcoming generation of older adults. Many of the myths we've held about the aging process are going to be dispelled.

Jackson—Then, we should expect some increase in cognitive disabilities?

Wassenaar—Our organizations have been experiencing an increase in cognitive impairment within the populations residing in retirement communities. This may be the result of current trends to postpone moving into these communities until cognitive impairment is at the point of being unable to live in an independent setting safely. So the trend is to live outside in the community rather than entering into facilities. Unless there are significant advancements in the treatment of Alzheimer's disease we will continue to see a rise in cognitive impairment, however, there may be a decline in other types of dementia.

Jackson—I'm just concerned we're going to have a more physically robust population of elders than before but with more cognitive impairment.

Wassenaar—We're just beginning to research the impact of wellness and exercise on cognitive impairment. Hopefully, we'll demonstrate a positive effect.

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Stallard—The evidence as to whether cognitive impairment is increasing or decreasing is somewhat mixed. My analysis of the NLTCS indicates that the most recent trend is downward and this is consistent with recent results from the HRS/AHEAD. Often, there is a question about how that will affect caregivers. I don't think it will affect them much at all. Caregivers provide care for people who reach certain thresholds of loss of cognitive or physical function. So they see similar people. Over the course of a care provider's 20-25 year career, the average age of their patients may increase by one or two years. The demographics indicate that cognitive as well as physical functioning is improving. Improving simply means a particular marker point is reached later in time. It doesn't mean you don't see people who have very severe care needs. I think that's important because you need a population perspective to see what the trends are.

Rappaport—Is the period when people need care going to stay the same so that if life expectancy improves one year you delay the point of frailty about one year?

Stallard—In general, yes, if you add a year to life expectancy you will delay the point of frailty by about a year. However, there are things done to accomplish that increase in life expectancy and they may be manifest in types of symptoms that are close to disabling. For example, joint replacement and treatments for retention of vision. Those types of sensory corrections will show up earlier on. So what you'll see as life expectancy increases, is the success of various types of behavioral modification and medical treatments allowing people to bypass a condition that led to a hip fracture that leads to a cascade that leads to long term care.

Jackson—With a more heterogeneous population, the quality of care and the way we deliver care will have to be addressed. Cultural differences in a large population of people needing care are

About our panel

The inter-disciplinary panel assembled is involved in some fascinating work on issues related to aging.

Robert Friedland, director of Georgetown University's Center on an Aging Society, is working on projects regarding financing long-term care, chronic and disabling conditions, care giving, and the health care implications of low functional literacy. The non-partisan, public policy institute studies the impact of demographic changes on public and private institutions and families. The center conducts and synthesizes research on a range of topics related to income and health security and reports findings to policy makers. The center often serves as a source of information on Social Security, Medicare and Medicaid issues. Specific topics studied include changes in the labor market, employer-provided health and pension benefits, the health care market, health literacy, and access to health and long-term care. The Center's Web site is *http://www.georgetown.edu/research/ihcrp/agingsociety.*

The University of Michigan's James Jackson is currently conducting the National Study of American Life, funded by the National Institute for Mental Health. The study is now in the field. It is a national probability study of African American, Afro-Caribbeans and White mental health and social attitudes. Dr. Jackson is director of the Program for Research on Black Americans and director of the Research Center for Group Dynamics at the Institute for Social Research. The Institute is the nation's longest-standing laboratory for interdisciplinary research in the social sciences. The Web site for the ISR is *http://www.isr.umich.edu.*

Eric Stallard, associate director of the Center for Demographic Studies at Duke University, is currently conducting research sponsored by the National Institute on Aging in the areas of long-term care, active and disabled life expectancy, chronic disability trends, and cause-specific mortality trends. He has recently completed a monograph on methods for forecasting asbestos personal injury liabilities based on his analysis of the Manville asbestos case. The Web site for the Center for Demographic Studies is *http://www.cds.duke.edu.*

Denise Wassenaar of the Health Resources Alliance currently is working on two projects. The Well-Being Model is being designed to deliver care to prevent frailty and minimize further disability of the older adult population residing in retirement or general communities. A key component is the implementation of an instrument designed and researched to determine appropriate placement within the continuum of care. She is also working on the Senior Fitness Program, a formal program developed for the geriatric population and administered by an exercise physiologist using specially designed equipment. Using reliable and valid assessment instruments, information is being collected on the impact of fitness in the older adult. The Web site for the Health Resources Alliance at www.hranet.org is being redesigned. Denise Wassenaar's e-mail is *dwassenaar@hranet.org.*

going to raise issues. Some things are being addressed now. I was talking recently about the development of culturally specific nursing homes for older Japanese and other groups.

Friedland—Even if the trends are as Eric is describing in the future, obviously it's still going to be a larger number of people. That will have its own implications for healthcare delivery. The demand for care will increase faster than the pool of caregivers and Medicaid will be doing what ever it can to limit the growth in expenditures.

Jackson—And, I can't emphasize enough, as that number increases, how different the experiences of people are and how that's going to affect delivery of services to culturally different people.

Rappaport —*Is there one issue or concern that should be focused on?*

Wassenaar—I think an issue we need to focus on is the prevention of disability commonly associated with the aging process. Right now, we have 1.6 million people in nursing homes. Unless there are advances made related to conditions associated with nursing home admissions such as incontinence, cognitive impairment and immobility, we'll have more than 6 million in nursing homes by the middle of the twenty first century.

Friedland—How we die is changing. We need to look at how we finance health services. We have to recognize the changing nature of health and long-term care needs in terms of how we plan individually and in public policy issues.

Jackson—I don't mean to sound like a broken record, but in terms of racial and cultural backgrounds, and, some people think, older immigrants entering the country, there really will be a very interesting mix of people we need to deliver services to.

Stallard—Denise, I don't come up with anything close to that 6 million number in nursing homes. My preferred projection for 2050 is 3.35-3.75 million, with a low-high bound of 2.7-5.2 million.

Jackson—Eric, do you take immigrant populations into account?

Stallard—I based my calculations on the Social Security Area intermediate assumption projection populations. They built in a combined net legal and illegal immigration rate of 900,000 persons per year. What I didn't take into account and I didn't have any way to do so is differential health characteristics. There's a whole area of research that addresses why certain subgroups of the Hispanic immigrant population have much better health and lower mortality rates than native-born U.S. Hispanics. Questions about the impact of reverse migration, better initial health of new immigrants, difficulties studying illegal immigrants, misreporting of age and ethnicity in vital statistics files, and various other factors could be taken into account.

Jackson—I just spent all day Monday and Tuesday on a new National Academy of Sciences panel on this topic. One thing about the last Census is the incredible underestimation of the immigrant population between 1990-2000. That's the biggest problem about the Census. We may have a very real but different mix of people than anticipated.

Stallard—I agree that the issues you raise are very important and deserve a whole lot more attention and in fact that's one of the areas we've begun researching here at Duke.

Rappaport—*Do we see changes in how people leave the paid labor force?*

Stallard—What I see is stability for the short term followed by phased retirement for those in less physically demanding jobs. The trend of the century was to go toward as early a retirement as possible. It is a very highly valued commodity and as people's resources increase they desire that. For people like me, who work at a university, the average age is much higher than average because we don't have a physically demanding job. As the economy shifts into more and more what we call the information age, I would expect we would see more and more people working longer assuming that is desired.

Jackson—Given that kind of trend, would you expect that to contribute to a healthier older population in the sense that people with more physically demanding jobs are retiring earlier and are actually healthier?

Stallard—What I see is stability for the short term followed by phased retirement for those in less physically demanding jobs. The trend of the 20th century was toward as early a retirement as possible. For many people, retirement is a highly valued status and as people's resources increase they seek that. For others, such as university professors, the average retirement age is much higher than in the general population because they don't have a physically demanding job. As the economy shifts further into the information age, I expect more people to work longer.

Jackson—And that's the point I was getting at. As the type of work changes, that might contribute to longer life.

Friedland—That was all very well said on the supply side, but of course we also have the demand side. We don't know how much business cycles affect this. How much phased retirement is desired on the part of employers or even possible given

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current pension and non-discrimination provisions?

Rappaport—*Most of what we're seeing in phased retirement today is individually designed. People leave one organization and go to another, or get rehired as retirees rather than stay with the same one and phase out. That's not true in the academic world, but it is awfully true in a lot of businesses.*

Friedland—The dramatic slowdown in the rate of growth of new employees has certainly caught the attention of employers. This is likely to encourage employers to pay more attention to attracting and retaining older workers. This will help those older workers who want to move from one employer to another. That is, as they collect a pension from one employer and move to another, they are more likely to find a job and thus they are less likely to be discouraged from staying in the labor force. But in an economic downturn these workers will probably be the first employees to be discouraged and implicitly encouraged to leave the labor force. We don't know what the business cycle will do when much of the changes in the labor force are being driven by demographic shifts.

Wassenaar—Many of the older population will want to continue working, however, the type of work they do may change. They won't retire in the same sense as in previous generations.

Friedland—I would add that that's not showing up in Labor Department statistics yet. You may be right, but it's not there yet. Most people age 65 to 69 are not working or looking for work.

Jackson—What's been the role of informal age discrimination? It's one thing to discriminate against older workers if you have a young pool you can draw from.

Friedland—Ageism is alive and well. It's hard to know how much. People get discouraged. Their skills may not be valued as they go from one employer to another. Employers may be re-evaluating this. Younger workers are now costing slightly more. But as the cost of new entrants increases, there is an incentive to invest in labor-saving technologies. This pushes the employer towards even more skilled workers, but results in the need for as many employees.

Rappaport—*What changes do we see in activity patterns? The way people are living their lives.*

Stallard—We're going to see longer life expectancy at age 65. As the Baby Boomers move into retirement, retirees will appear as a group, for perhaps 20 years or more, to be significantly younger and healthier than before. The Baby Boomers will ascend as a bubble through the retiree group. In terms of their activities, when the Baby Boomers hit elementary school they had a big splash, when they hit college they had a big splash, when they entered the workforce they had a big splash, and soon when they hit retirement they will also have a big splash.

Friedland—What will that look like in terms of the activities area? What kind of activities might change?

Stallard—In terms of marketing, everything that's directed to younger retirees is going to be very active business-wise. That would include not only financial services but also the entire range of personal, social, leisure, and productive activities that they would use to fill in the approximately 1,750 hours per year that becomes available as they leave their jobs.

Wassenaar—I see more active, intellectual, and adventurous activities.

Friedland—Not just more cruise ships and theme parks, but universities looking at this as a pool of tuition?

Wassenaar—Right. Our seniors are very involved in using Internet learning. We're getting more involved in the intergenerational educational opportunities in our community. We are providing activities much different from 10 years ago.

Jackson—In Ann Arbor, where I am, there's been increased attention to the retirement population and building intellectual communities. The University itself is involved with some of the construction. One question though is if we have the expectation of a longer life, how will it affect thinking and planning in middle age?

Friedland—I do think there's been a fundamental change in that most of us expect to live to old age and I don't know that in the past people had the same expectations.

Jackson—That may have some real implications for what you do at 45. We haven't thought a lot about that. This is a life course integration issue, individually and at the population level.

Stallard—You'll see more church and volunteer involvement and more time for interaction with younger generations. The older population will have more opportunity and time to impact on the younger. That could create positive feedback whereby the younger generation would be much more likely to plan for an extended work career, family, and so on, and that could be repeated and amplified over several generations. That may become a major dynamic of the 21st century.

Rappaport—*Can we expect to see people making different choices about where they will live — the types of housing or community?*

Wassenaar—What we've seen is a trend where people are remaining in their homes longer and entering into a structured living environment later in life. The common age for entry now is averaging 85.

Friedland—My sense is that people have always remained in their communities. I think that where it's possible people are beginning to think about building or structuring their homes to accommodate a longer lifetime. But I don't have any real evidence of that; it's more anecdotal.

Stallard—I expect that there will be less desire or willingness to go into nursing homes. Perhaps assisted living will become even more popular. Things like lawn service, snow removal, and similar services may make people feel they can maintain their independence longer.

Wassenaar—Yes, I would agree with you. In recent years the assisted living population has continued to increase.

Jackson—One of the things we might see, is that if people have longer to live, and move into other jobs after retirement from their main jobs, there may be additional demand for community housing for people moving into those new careers at somewhat later years.

Rappaport—*What changes do we see in our ability to manage or improve our health?*

Wassenaar—I see the definition of health expanding from a medical focus to a holistic approach treating the mind, body, and spirit. People are becoming more involved in the decision making process regarding their health care and end of life planning.

Stallard—Throughout the period we're discussing, 25-50 years, there's going to be significant economic growth. Even at a modest 1.5% real GDP per capita growth rate you're looking at a 50% increase in the amount of financial resources available to the population in just 27 years; and a doubling in 47 years. That growth means more resources will be available to individuals to purchase health. I think that will fuel a new population-wide wave of health-related activity. As per capita GDP goes up, people at the lower income levels will also have increased financial resources to focus on health and that may resolve some of the current concerns about disparities in health over the socioeconomic status dimension.

Friedland—Some of the earlier comments suggest that Medicare needs to be reconfigured for our health needs. If we have the kind of economic growth that Eric has identified we're not only going to be willing but will find it relatively easy to pay more for Medicare

I see the definition of health expanding from a medical focus to a holistic approach treating the mind, body, and spirit.

Rappaport—Do we see any changes in institutions or support needed for people with health problems?

Friedland—We have such unmet needs for services today. Clearly the demand will grow faster than supply and that will impose really hard choices as we allocate those resources to those who can afford it and those who are on public assistance.

Jackson—Some of the fastest growing groups in the aging population are minorities many of whom have been relatively disadvantaged over their lives.

Rappaport—Robert, you mentioned changes in the way we die earlier. How does that link to this?

Friedland—There are at least three different trajectories of death. One might characterize them as (1) functioning well for a long time with a serious illness but then suffering a serous decline in functioning the last few weeks; (2) unpredictable courses of ups and downs, and (3) a very long course with early loss of functioning.We have recognized one of those trajectories, the first one, in Medicare through the hospice program. Hospices may be particularly good at dealing with certain kinds of end of life courses like cancer. But other forms of death may linger on for much longer. We haven't addressed the people who have chronic illness for a long time. Who are in and out of medical facilities and in out of a medical crisis with periods of high and low self functioning. We are very good at admitting people to hospitals but we are not very good at allowing them to stay in their homes and get community support.

Jackson—Nor at preventive care.

Friedland—The hospice concept has developed very well and is effective with dealing with one kind of death. Many more people are dying differently and the Medicare system is just not supportive of families enduring these other types of death.

Wassenaar—I've been seeing more end of life planning. This topic was avoided just a few years ago. Now, I am witnessing an emphasis on end of life planning both at a provider and insurance company level. Also, there is an increased use of case management services for people who don't have access to resources to end of life planning.

Friedland—Most people still die in hospitals. But most people would prefer to die at home.

Rappaport—*What do you see as the need for financial products and employee benefits to change?*

Stallard—Economic growth will increase the financial resources of the elderly. Financial products will be in demand because the elderly can afford them. Consider the shift from defined benefits to defined contribution plans in the pension area. There's been some discussion about the possibility of similar shifts in the health area. People will need to

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have a good understanding of those shifts and strategies for handling increased levels of individual responsibility and autonomy. That will provide a big opportunity in this area.

Wassenaar—One emerging financial product needed for the future is long-term care insurance. Hopefully, employers will follow the example of federal agencies and make this an employee benefit.

Friedland—How can employers help people with low income save more? Also, there's been virtually no attention on how to help people dissave once they leave full-time paid employment especially since their life expectancy has increased.

Jackson—That's one of the critical issues. We're seeing it now, where people didn't expect folks to live as long. They need to plan not to outlive savings.

Friedland—In our public policies we have what we call asset tests. People are excluded because their assets are too high. At the same time, we encourage them to save. So what is the signal there? If you and your spouse save more than $3,000 you won't get assistance. At the same time those asset tests haven't changed with inflation or increased life expectancy and one of the reasons people save, I assume, is to finance retirement.

Jackson—Another issue is transfers of wealth between generations. What are the expectations of children and grandchildren? They may change with the health problems of the elderly.

Rappaport—*Do we think future generations will be better off in retirement than past generations?*

Friedland—My guess is that the average person will be better off. But the average is not meaningful. It's not clear if extra resources will be sufficient to meet the needs of longer lives.

Jackson—I really do think family dynamics will play a bigger role.

Friedland—I concur. People now will know their grandparents and live with them longer and that's a positive thing.

Rappaport—*Before we close, what else do you all think is important to our discussion?*

Jackson—There are going to be issues of quality of life, self-actualization will become important. You may see older people asking for more counseling services, for example.

Wassenaar—We need to encourage and educate on healthy aging. If current trends continue there will be a limited workforce of health care workers to care for a large frail elderly population.

Stallard—We need to look at other countries such as Japan, Germany, France and the U.K. and learn from them; they're about 20 years ahead of us in population aging. We need to recognize there will be great financing strains on Medicaid and Medicare. Accounting for demographic and disability changes alone suggests that Medicare would experience a 90% increase in costs by 2030. In addition to the usual concerns about health cost inflation, we have to figure out how to handle the demographic cost factors. Similar projections suggest that long-term care costs will increase 35-50%. However, the comments I made about economic growth give us some encouragement if we have good planning.

Friedland—I think Eric's comments are well-articulated. A part of life will be education and training. It must be addressed in light of longer life of population

Rappaport—*Any advice to the actuarial profession?*

Friedland—Actuaries should think in terms of a life course in preparing numbers that are going to be important in costing out various activities.

Jackson—Remember, people don't move across that life course individually, they move across time in families.

Rappaport—*In conclusion, I'd like to thank the panelists and say I think we have gleaned several points. As we age differently, there are opportunities and challenges for us to keep in mind:*

- Our society is becoming older, because of individuals living longer and because of shifts in birth rates by cohort. This will have a profound impact on many of our communities.
- Individuals are living longer and there are issues facing the individual and family
- Older Americans are often active, are seeking education and looking for new activity patterns. Many will combine some work with retirement or retire later.
- End of life planning and offering options to help people choose how to spend the end of their lives will be an important area for the future.
- The aged population is growing more diverse.
- It is very important to work at preventing disability, helping people stay healthy longer, and this is happening, but there is still a considerable period of critical illness. The period of health is moving up together with life expectancies.
- People are seeking options to nursing homes and assisted living is growing. Services are developing to help people remain in their homes longer.

Employee benefits changing with population

by Linda Heacox, SOA Marketing Communications Manager

The second panel of this issue of *The Actuary* focuses on the new pressures and trends affecting employee benefits as companies adjust plans to fit the needs of a changing workforce. As the population ages, works longer and lives longer and is healthier at traditional retirement ages, benefits plan sponsors are feeling pressure to keep up.

Our panel of benefits professionals observes and discusses the changing scene in the workplace and in healthcare. The panelists are:

Janice M. Gregory, vice president of the ERISA Industry Committee (ERIC), Washington, D.C., concentrates on the legislative activities of the association comprising of over 130 major companies. The former Capitol Hill legislative aide is a founding member and vice president of the National Academy of Social Insurance.

Patricia L. Scahill, senior manager, Ernst & Young, LLP, Indianapolis, consults primarily on defined benefit plans. Her work has been in retirement systems and she previously served as SOA Vice President and as Chair of the SOA's Pension Section Council.

Ronnie S. Thierman, principal, William M. Mercer, Inc., San Francisco, is a consultant in health and group benefits for larger clients. She serves on the Department of Labor's 15-member ERISA Advisory Council, which does research for the Secretary of Labor. Thierman says the Council is studying three areas this year: challenges to the employment-based health care system, finding ways to increase benefit coverage, and preparing for retirement — helping employees understand their benefit.

Greger J. Vigen, principal, William M. Mercer, Inc., Los Angeles, consults on group health insurance and retiree medical and active health programs. His work with the SOA has been on various exam committees and the Futurism and Health Sections.

The moderator is **Anna M. Rappaport,** principal, William M. Mercer, Inc., Chicago, and editor of this issue of *The Actuary.*

Anna Rappaport—*What issue do you find most important for our readers to consider when thinking about benefits and aging?*

Ronnie Thierman—I think the most important thing to keep in mind is that we are the generation that needs to do something about this issue. We are a transitional generation. We've moved from a society where parents live with kids and grandkids to a mobile society where families are spread all across the nation. We are living longer because of wonderful advances in healthcare and we need to prepare for our later years. No one else is going to do this for us if we don't do it for ourselves! Our generation really needs to consider the resources that will be available to us in our later years, because we are going to be there very soon.

Patricia Scahill—Retirement plans need to accommodate nontraditional work and payout patterns. For example, phased retirement creates the need for in-service distributions prior to normal retirement that the current legislative and regulatory framework doesn't allow. It may also create the need for partial annuity distributions that are unworkable without regulatory or legislative clarification.

Greger Vigen—Both of those are very important issues. I would add, that in talking about the future, it becomes even more complex when you have multiple things happening at the same time. Aging is having an impact on the social support systems. At the same time, we're going through an evolution in the way healthcare is delivered. The indemnity system is very old and the capitated system has been facing challenges as well. It will be very interesting to see what the medical system turns out to be over the next 10–50 years. With the additional challenges being created by this growing group of retirees, we need to find new ways of delivering healthcare to these people.

Janice Gregory—I think we still tend to approach this issue in compartments: We think of health care or pensions separately from each other and from other economic and emotional security needs. We think only to the boundaries of our own country. We have to broaden the scope of our analysis. If you have a good pension and no retiree health care, you are not secure. Sometimes help for your aged parent is more important than a higher 401(k) match. And what is going on elsewhere in the world increasingly will impact what we do here in the U.S.

Rappaport—*Pat mentioned phased retirement. Would anyone like to comment on phased retirement?*

Thierman—I agree with Pat that phased retirement will become more popular for a number of reasons. Some people may need to continue work because they don't have the financial resources to fully retire when they thought they could. Others may enjoy working part-time and want to do this

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before they fully retire. Also, with the graying of America and the number of aging Baby Boomers, society doesn't have enough educated, well-qualified people to fill all the job openings. In the last 10–15 years, many employers have been financing their own brain drain by incorporating early retirement windows in their defined benefit pension plans and encouraging their employees to retire early. Now, many of those same companies don't have enough qualified employees.

Rappaport—*I also think that people are taking phased retirement all the time, but not in formal phased retirement programs. They are doing it by leaving one organization and going to another organization after they retire from the first one—the new job is called a bridge job. Inside companies, we're seeing more rehiring of retired employees rather than phasing out before people retire.*

Scahill—But I think if the law changed to allow companies to be responsive to a person's desire to work less and get a part of their pension, employees would be more apt to phase into retirement on their current job. Ronnie talked about the knowledge drain. Companies would be able to retain some of their key knowledge workers in a period of peak performance rather than forcing them into retirement in order to take phased retirement.

Gregory—While I agree we'll have more flexible work patterns in the future, I'd also caution that changing the law to allow individuals to collect a pension and a salary from the same employer will not be so easy as many assume. It would have to be broadly available and that could be expensive and hard to explain, and, the employer might be faced with too many, or the wrong, employees staying on and on. We need to think through the pitfalls of this idea too, before we jump into it.

Vigen—Insurability under pre-65 health insurance programs is still an enormous issue in terms of early retirement. COBRA acts as a bridge for pre-65 medical coverage but only for a short period of time. Changing the pension laws to make that easier to let people stay with their existing companies would be an important part of that process. That helps the insurability issue, the employers can keep continuity, and it actually then is a benefit to staying with the existing organization and that can be fairly powerful.

Rappaport—*Greger, when you talk about the issue of insurability, are you also referring to the problem that people who don't have an employer with health benefits have a problem with securing health insurance?*

Vigen—Yes. Recent surveys have shown massive decline in the percentage of employers who offer healthcare benefits. The number of employers providing post-65 benefits is just slightly over 25% of the population.

But I think if the law changed to allow companies to be responsive to a person's desire to work less and get a part of their pension, employees would be more apt to phase into retirement on their current job.

Rappaport—*And that's for employers with 500 or more employees?*

Vigen—Right, and it's even worse as you go down to the smaller companies.

Gregory—I'd like to clarify that we're talking here about employer-sponsored health coverage for retirees. That's what is dropping. Employer-sponsored coverage for actives has not dropped. Indeed it has gone up.

Thierman—The insurance issues for those without employer provided group insurance are twofold. One is access to coverage and the other is insurability at affordable prices, since individual insurance underwriting looks at the health of the proposed insured.

Rappaport—A new *GAO report has been issued on the state of retiree healthcare, GAO-01-374, May 2001,* Retiree Health Benefits: Employer-Sponsored Benefits May Be Vulnerable to Further Erosion. *What issues relative to aging are most important to the programs you work with and what impact do you expect them to have?*

Vigen—Let me mention two issues. One, the availability of Medicare at 65 for a majority of people in the country is obviously a major change from what is available to those individuals before age 65. That is something we face all the time. It's made even more complicated by court decisions like the Erie County decision (*Erie County Retirees Association v. County of Erie*). The court is really challenging the employer's right to design programs to accommodate the fact that Medicare exists. The second issue is long-term care. How do we deal with things that aren't medically necessary but simply helpful to individuals and necessary for them to manage on a day by day basis? Both of those are enormous challenges. The first issue, healthcare coverage, is being accounted for by employers. The second issue, long-term care, is not broadly available on the employer side.

Thierman—I agree it is not widely available. But more and more employers are seriously talking about such a program, even if it is employee pay all.

Scahill—From the retirement perspective, one thing that concerns me is increased reliance on defined contribution type plans that increase the risk of outliving assets. These programs guarantee a pot of money rather than an income paid out over a lifetime, and it's pretty unusual to have people convert their defined contribution account balance into an annuity

Gregory—What a plan sponsor faces today is the demand to be all things to all people. The same employer may be asked to provide day care assistance for families of younger employees and help with the aging parents of other employees. Health plans face a broad range of contingencies. Retirement plans need to be attractive to the short service worker while still rewarding the long-term skilled employee, and so on. I think there also will be an increased demand for long-term care insurance. Finally, it will be more expensive to lay people off in an older workforce because the financial impact of an older worker losing a job is greater than what a younger worker faces.

Rappaport—*What issues relative to people living longer are most important to plan sponsors and employee benefits?*

Thierman—One issue that has gotten a lot of dialogue on Capitol Hill is the four-legged stool where the fourth leg is medical care in retirement. If you don't have adequate medical coverage, and Medicare does not expand to include prescription drugs and long term care, all your retirement savings and planning can go down the drain with one major illness.

Rappaport—*Greger mentioned the Erie County case creating a lot of uncertainty in the plan sponsor community. Do any of you see anything positive to encourage employers to participate in retiree health plans?*

Thierman—I see just the opposite because we are a very litigious society and because current quarters' profits often take precedent over longer term investments. FAS 106, which required employers to currently recognize their liability for providing these post-retirements benefits, has pushed some employers away from providing post-retirement medical benefits. Also, many employers are concerned with potential legal liability in the medical benefits area.

Gregory—I agree; the legal and regulatory environment is rapidly pushing employers out of this field.

Vigen—It is very unclear to employers what they should do for people just retiring. When people choose phased retirement, you want to preserve benefit continuity for those people. On the other hand, you have constraints and legal challenges like the Erie County decision which implies some kind of design constraint. Once you create a program for pre-65 retirees, some part of that needs to be continued for the post-65 population. The increase in drug costs and the legal uncertainty have made it very hard to have discussions, particularly with big high-tech companies that don't see the value or purpose of retiree benefits. I want to be clear in this conversation, however. I'm not seeing employers necessarily giving less money in total to their employees. Rather, what they are doing is to respond to employees' requests for immediate compensation rather than a post-retirement defined medical benefits program. Employees are more focused on the short term, and that gets reflected in the design of benefits.

Thierman—I totally agree with that. Another factor to consider is the widespread use of the Internet — this is going to change the way benefits are provided. With so much more information available to people, retirees who want to can really take a more active role in guiding their own medical treatment and outcomes.

Scahill—The aging of the Baby Boom generation is going to mean a large cohort of employees moving into retirement. We've mentioned before that the Baby Boom retiring will create a knowledge drain. We are moving to more of a knowledge-based work force and physical strength is less important in many jobs today. People are healthier, and able to work longer. This huge cohort of knowledge workers nearing retirement can put pressure on businesses and our retirement systems. Plan sponsors may respond by eliminating some of the early retirement incentives, either windows or subsidized early retirement benefits, and it could encourage workers to stay longer in the work force.

Thierman—Pat, what changes might we think about in terms of ERISA or tax rules that would encourage that type of behavior?

Scahill—There are a couple of obstacles I see. One is that a qualified pension plan in the U.S. can't make in-service distributions to someone before normal retirement age. There is no guidance on how to pay a partial benefit. Let's say I want half of my annuity because I'm going to be working half time and I want my full annuity later. I don't believe that's allowed. The legal uncertainty makes it impractical for employers to pay partial annuities.

Thierman—One thing we didn't mention yet but that is very important to our discussion, is the diversity in our society. Do all issues affect everyone in the same manner? How do different cultures, genders, and income levels impact benefits provided or needed?

Vigen—I would throw in the word socioeconomic to that discussion. Although I think there are differences in the way health care is delivered to different populations, I think the socioeconomic gaps are enormous. We talked earlier about the small percentage of employers offering retiree medical benefits and those are among large employers. With small employers it's virtually impossible for them to offer the coverage. So gaps are enormous both between demographic classes and between small employers and large employers.

Thierman—Another issue is that women, on the average, live longer than men. Since resources tend to decrease with length of retirement, there are a lot of elderly women on the lower end of the economic scale. That is a huge consideration. Also important is the fact that there

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are so many elderly people living alone, which makes the provision of some type of long-term care really critical. What are we as a society going to do to take on the aging Baby Boomers as they move toward that point in their lives?

Rappaport—*From the point of view of the employers, does diversity impact what employers are likely to do with employee benefits?*

Vigen—I don't hear employers talk about it in terms like diversity but in terms of people outliving benefits, the value of a defined benefit versus defined contribution approach. Employers shy away from discussions that classify people. But it is clear that women, as a class, live longer and have better mortality rates. To some extent, employers are dealing with the issue but not under the term of diversity itself.

Rappaport—In talking with people who try to communicate with the public about savings, I've heard that you need to pay a lot of attention to diversity and the audience you're appealing to in order to talk to them about saving and financial planning. There's much better financial planning software available.

Some employers are deciding to do group purchasing of products, financial planning and/investment advice to help their employees address those issues. Do you all see that?

Thierman—I think choice in benefits is important especially in an environment of diversity, because different people have different needs and the same individuals have different needs at different times in their lives. To the extent that we can design benefit plans and provide information in a way that people can choose how their benefit dollars are spent, we've come a long way toward addressing their different life-cycle needs. But, to respond to your explicit question, in my practice, I haven't seen a lot of attention paid to it.

Scahill—I haven't seen a lot of attention paid either to diversity issues. There is a provision in the 2001 Tax Act (EGTRRA) that allows employers to provide "qualified retirement planning services" to employees as a nontaxable benefit. So, I think we will start seeing an increase in the education to help employees understand the need to save for their retirement. To the extent that message needs to be different depending on the employees' different social or ethnic backgrounds, I think it's important that employers factor in those backgrounds.

Gregory—What employees want is individual advice, and to the degree plan sponsors figure out how to provide that, diversity will not be such an issue because the advice will already be tailored to each individual's situation.

Thierman—Pat, I think it's really important to start this education process early and by that I mean while people are still in school. I think it would be great if our public schools offered some general training in investments, savings, compound interest, etc., because many people don't know much about it.

Rappaport—*The* Money Math *book published by the Actuarial Foundation teaches these subjects and is designed for use by high schools.*

Vigen—I think, though, there is one big question mark in all this. How are investment returns impacted by the Baby Boomers going forward? There will be a lot more retirees and a lot fewer actives at least as a percentage of the population as we move forward. There are widely differing opinions as to what that's going to mean to investment returns. I believe in starting savings early but the issue of the investment return is really a wild card in terms of this discussion.

Rappaport—*In the "Retirement 2000" symposium, this issue is addressed. All the papers from the symposium are available on CD-ROM from the SOA. But I'd like to ask now about planning for the end of life. How will people die and how will they want to spend the end of life? Do you see implications for employee benefits?*

Scahill—We're going to continue to see employer-sponsored long term care grow even if it is employee pay all.

Vigen—I am also seeing a growth of employer sponsored LTC. A challenge in that is how that is treated for the purpose of asset tests within Medicaid programs. There are real differences in government policy between saving yourself and having limited public assistance.

Thierman—You almost don't know which behavior the government is trying to encourage. On one hand, government rules and regulations encourage employees to save. On the other hand, those that do save are often penalized from the perspective of eligibility for certain benefits.

Rappaport—*To follow up, people who want to take control of their medical care at the end of their lives are encouraged to use advance directives. Do you see employers providing education and information about advance directives?*

Vigen—I rarely see employers discuss advance directives since it is primarily a retiree issue.

Thierman—I see an alternative for managing long-term care needs. In California, we're seeing something that might be in other parts of the country too. They are continuing care retirement communities. People enter when they are healthy and they live in an apartment and are independent. As their health deteriorates they receive more assistance. That seems to be filling a need. I wonder if you are seeing that in the rest of the country.

Scahill—Does the cost go up as they need more care?

Thierman—No, there is a one-time cost to buy into the apartment in which one has a life interest only, so there is nothing to pass on to heirs. There is also a monthly fee, which is not dependent on the level of care required, but may go up with inflation. If you run out of money, you continue to stay in the complex. I'm wondering if you have that in other parts of the country?

Scahill—No we don't have that in the Midwest, not without fee increases. You might start out paying $2500 a month when you live in the apartment and then that would increase to say $3500 if you move into the nursing home. If you can't afford the new cost, you have to leave the facility.

Vigen—From a healthcare and a financial perspective, you can have drains of assets of $20, $30, $40,000 a year for health and long term care expenditures and then suddenly you hit the public assistance programs and half to two thirds of that may disappear. Covered social service expenses range from prescription drugs through the Medicaid program to people providing meals, and simple things like that. Certainly, this is not a recommended approach, but the position before Medicaid puts a lot of pressure on people.

Rappaport—*We talked a bit before about many women having more of a chance of being in poverty. Does this raise any issues to plan sponsors?*

Thierman—On the retirement side, recognizing that under defined contribution plans, there is the possibility that you can outlive your retirement savings. As our employer-based retirement programs move more toward a defined contribution approach, educating employees about the need to provide savings themselves and identifying opportunities to take retirement dollars and use at least part of it to buy an annuity is very important. I do not think the general population has the concept of outliving retirement dollars or savings.

Scahill—As longevity increases, if you believe it is, it's going to put more strain on defined benefit or annuity plans. Does anyone have any thoughts in that area?

Gregory—My own suspicion is that we may see increased interest in defined benefit plans as the boomers realize just how long their savings are going to have to last.

Thierman—Certainly, as employees live longer and employers underwrite the cost of lifetime income, it does increase the cost of defined benefit plans to the sponsors. As long as actuarial tables are updated and are appropriately projecting retirement patterns, employers can plan ahead for those increased costs and products can be developed to address increased longevity. That creates an important role for actuaries.

Rappaport—*Individuals are not only living longer but are healthy longer. I understand though from the Long Term Care Survey that people are still sick about the same length of time at the end of life. I'm wondering what impact you see from people having a later active life.*

Thierman—Certainly, people are capable of working longer, if that's what they choose to do. Living longer and healthier lives provides more options for people and pushes out the huge health care expenditures at the end of life. However, as people are living longer, more chronic conditions need to be addressed. This is one of the reasons the cost of prescriptions has escalated so dramatically.

Vigen—A side issue relevant to defined benefit vs. defined contribution is that people don't annuitize their balances at retirement. This is related to the perception of fixed income investments.

It's very hard for employers to help when employees want cash up front. It creates a pressure on the employer. At one level, they would like to provide long-term benefits, but when the employee votes with their feet and says this is what is important to me, is that decision the employer's or employee's responsibility?

Thierman—I think you bring up two really good points, Greger. One is inflation-adjusted annuities or some form of benefit that takes inflation into account. We're living longer and a fixed income even if we annuitize it today might not be enough 20 or 30 years down the road. The second issue is employees voting with their feet. I think we have to provide the choice and education and let people make their own decisions. Hopefully they'll make the best decision for themselves.

Scahill—I agree that employers can't be paternalistic. Employees are demanding current cash and aren't interested in deferred benefits.

Gregory—I disagree to some extent. If the stock market shoots up again in the next year or so, I think you will be correct. But otherwise, I think people will begin to look also for the more secure income stream that comes from a defined benefit program—something to give them a secure base above Social Security.

Vigen—Maybe this cycles back to more of an actuarial issue as opposed to an employer issue. There have been many studies that show individuals don't understand risk. Perhaps the SOA can work on this.

Rappaport—*The Actuarial Foundation's Consumer Education Committee has been doing some work on the problem of outliving your assets. How can we help people understand risk better?*

Vigen—Back when I was in school, I got an MBA so I took a variety of classes. In one class, we discussed how to ask people to make choices between alternatives, some of which have associated risks and some don't. It was an extension of game theory. For example asking if you'd rather

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have a hundred dollars now or have a 60% chance of having two hundred dollars in the future? As you go through that discussion you realize one very basic characteristic, that some people are risk averse and others are not. There might be some communications research as well.

Rappaport—*Any predictions about how retirement patterns might change?*

Vigen—Going sideways on that question just a little, one thing is very significant. Medical care is experiencing shortages in nursing and other physical areas of the work. There are very serious questions about society being able to continue to provide the same kind of healthcare. In terms of predicting retirement patterns, I see the same thing the previous panel did. I see the continuing shift toward partial or early retirement certainly exaggerated by the recent creation of wealth by the stock market. I have colleagues that are now retired per se.

Gregory—There may be no retirement "pattern." People may "retire" several times. I think we have to ditch the idea that people work and then people retire. We have to find a new, more inclusive way to visualize how people will support themselves as they get older.

Rappaport—*Anything else? Anything you'd like to see the SOA do?*

Thierman—I'm very pleased to see the SOA and the actuarial community take a more active role in addressing changing benefit needs. Education and just getting the information out there are extremely important.

Gregory—Again, I'd like to see the SOA think outside the work/retirement box. We need to have a broader range of places where older individuals can get health coverage, for example.

Vigen—The major piece that I see, is the way healthcare is delivered. It is clear that the organized systems of care in California that have been running health programs for retirees and been getting capitation or fixed fees from government have started to develop better ways of delivering healthcare to retirees than is available on the indemnity system. Really there is no perfect system. But there's a lack of understanding across the country of the value in innovation the programs on the West Coast are providing.

Rappaport—*What are the things they are doing?*

Vigen—There are several elements. There is an enormous interest in prevention. If you're getting a fixed fee from the federal government to take care of that individual's health over a month or a year, then if you need to buy them a walker to prevent illness, there's an enormous incentive for you to do that. Second, to some extent the organized systems have better and more formal ways to access centers of excellence and implement management. They can make sure that things get done once and get done right. And third, joint delivery of medical information. There have been various experiments through the big organized systems and HMOs out in California wherein they said let's get groups of retirees together and instead of us trying to convince them to take this intervention or talking to them one on one let's create small discussion groups. This is a different way of delivering healthcare. In some ways it's better. On the other hand, there are challenges relative to fixed fees relative to very sick individuals. But organizations like Kaiser or Pacific Care, which has had a long-term senior program, are encouraging the systems to deliver healthcare in a new concept.

Rappaport—*Anything the SOA can do?*

Vigen—Continue the defined benefit vs. defined contribution discussion. It is very frustrating to see the legislatures not having the same perspective that we do.

Scahill—The SOA can use specialized knowledge and we need to strive to make that information understandable in the classroom, in grade and high schools. Our discussion today shows that there is a tremendous need right now to help people understand the risk factors in the decisions they make.

Gregory—More integrated risk analysis would be a great help.

Rappaport: Our first panel helped us to focus on how the world is changing. This panel points out that we are in a time of transition, and that employment arrangements and employee benefits need to change as we move through that transition. At this time, we have concerns more than proven solutions — and new plans can be proven to work effectively in the emerging environment only after than have been implemented and we see how well they operate.

Key issues raised by our panelists include the need for innovation, for more focus on post-retirement risks, for better and more formal phased retirement programs, challenges in providing for the health security of older Americans and challenges in providing for long term care. Our panelists see different life patterns. The interaction of more DC plans with little focus on post-retirement risks is a big challenge. Legal constraints are currently a challenge in meeting the need for formal phased retirement programs. Cost and litigation concerns are two of the challenges leading to a decline in employer sponsored retiree health. The health care system is in turmoil and there is a need for prevention and innovation in the system. Our panel points out that there may be opportunities to learn about providing care more effectively from some of the organized systems of care. Employers have not been very active in helping employees meet long-term care needs, but our panelists indicate that interest in growing. It's clear that we don't have all the answers, and that we need to help employers adapt their programs to better meet future needs.

Financial product design,
marketing must change with population

by Linda Heacox, SOA Marketing Communications Manager

The third panel assembled for this issue on the changing needs of the aging society looks at financial products. Our panelists suggest that while design needs to stay a prominent concern, marketing problems and societal attitudes are also critical. The panel includes:

Loida R. Abraham—vice president of long-term care, John Hancock Life Insurance Company, Boston. Hancock markets a variety of products from life insurance and annuities to long-term care. Abraham has also been very involved with combination products: life/long-term care, annuity/long-term care, and a variety of innovations associated with those products.

Donald M. Charsky—president, LifePlans, Inc., Waltham, Mass., a provider of services to companies that offer long-term care and related coverages. LifePlans provides services to over 80 insurers in the U.S. and Canada.

Stephen G. Kellison—senior vice president, American General Retirement Services, Houston. His company offers a broad range of products and services related to retirement plans, with heavy emphasis on defined contribution plans.

Raymond J. Murphy—director of pension and savings plans, Bristol-Myers Squibb, one of the largest drug companies in the United States with 50,000 employees worldwide. Murphy is responsible for the design and administration of the company's retirement plans. Bristol-Myers offers defined benefit, defined contribution plans, retiree medical and life.

Thomas F. Wildsmith—policy research actuary, Health Insurance Association of America, Washington, D.C., a trade association representing the industry on legislative and regulatory issues. The association covers a wide variety of health products including medical expense, disability income and long-term care insurance.

Anna M. Rappaport, principal, William M. Mercer, Inc., Chicago, is the moderator. She is the editor of this issue of *The Actuary.*

Rappaport—*What issues do you see as the most important to an aging population?*

Charsky—In the U. S. as well as other countries, the financial services industry is now looking at needs and wants of people as they age. Although there are specific products that are generally related to the more mature consumers, we are seeing a trend where we are trying to incorporate features into products acquired now that are appealing to people as they age. An example would be disability insurance with conversion options that let it become long-term care down the road.

Kellison—I would agree that the life cycle approach of trying to provide lifetime answers to customers is something the financial services industry is trying to achieve. An overarching goal is meeting customers' needs on a more holistic level. There's always a risk when you focus on one product for one specific need of not achieving optional solution for customers' needs. So, I think it's important to adopt a more holistic approach to products and services. Also, how people manage their assets in retirement is important. The trend toward defined contribution plans in combination with an aging population shows that we have a pressing societal need to try to address the issue of how people manage and access assets in retirement.

Rappaport—*Can you give an example of a more holistic approach to products and services?*

Kellison—Yes, look at annuitization in retirement. It would appear that the need is there with more money being in defined contribution types of arrangements and a decline in defined benefit plans. Yet if that's all you do, you are not adopting a holistic approach. What really is needed in retirement is a more comprehensive approach that would involve not just life income needs, but also other issues, such as long-term care, estate planning, etc. It comes down to, "How am I going to manage all my financial affairs in retirement?" Everyone has a unique set of circumstances facing them in retirement, so that "cookie cutter" answers are too simplistic to meet customers' true needs.

Wildsmith—On a public policy level, we are struggling with whether we are going to fund the needs of seniors through public or private programs. In the case of Medicare, as an analogy, we essentially

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made the decision that most medical expense coverage would be provided through the Medicare program for those over 65. Non-seniors buy private insurance. We have nothing similar in place for long-term care insurance. So far, we've tried to encourage the purchase of long-term care insurance through tax incentives. It seems to have been successful, but overall, most of us are woefully underinsured for long-term care. Moving forward, there will be a demand that these people be cared for. There are a number of social and demographic trends that are going to make it much less likely that people will receive informal or family-based care they received in the past. I think the global issue is whether people are going to make the provision ahead of time through private insurance. If not, what will we do on a public basis to provide that care? If people don't make the private provision, there will be an overwhelming political demand that something be done at a public level.

Rappaport—*Is that what's happening with prescription drugs now?*

Wildsmith—Yeah, I think so, but the dynamics are a little different on the Medicare program. We made the decision that healthcare would be provided on the public level. The debates going on are over how generous that care will be and what mechanisms will be used to deliver it. There are two really interesting political crosscurrents. Out of the Democratic Party, there's a strong push to give everyone a more expansive package of benefits through the government. The Republicans are moving toward providing that through private plans, much like Medicare +choice plans. That doesn't change the fundamental decision made in the 1960s that we will guarantee the access and fund the programs.

Murphy—One issue is the changing role of who is providing these retirement products. Traditionally, it has been the employer's role to provide retirement income and retiree medical benefits, but you're seeing a decline in defined benefit plans. The responsibility and risk are shifting to the individual. And I'm wondering whether the individual insurance market is going to meet that challenge or leave it to government programs. It seems that only large employers are continuing with defined benefit plans and retiree medical plans. With the small employers, you're lucky to have a 401(k) and probably have no retiree medical at all.

Abraham—It's pretty clear that there has been a dramatic shift from concerns over dying to concerns over living too long. This has led to concerns over quality of life issues in the old age. One area of concern is financing. Being financially secure during old age will enable you to resolve some quality of life issues. But the concern about the financing is that if we should expect to rely less on government programs, then there is greater need for personal planning. As an industry, we have to help the public focus on retirement planning on an individual level. And then even if you solve the financing issues, there are concerns over access to care and the delivery system when you have huge growth in the elderly population needing that care. There is also concern over a potential labor shortage in healthcare workers in the future. In other countries the crisis may have already come. In this country, we may have a few years, but it is coming.

Rappaport—*Can we address the challenge to the individual market and the fact that employers are decreasing their role?*

Wildsmith—I think there are some very interesting things going on politically. There is one school of thought, particularly among Republicans, that we should move away from an employer-based system toward an individual system. And, government should encourage that move much as it has encouraged employer-sponsored coverage. The problem with that is that 9 out of 10 of us get our coverage through an employer-based system. What that means is that virtually all of the policymakers who think about the individual market have instincts that have been trained by employer-sponsored coverage. When they look at the individual market, they get the feeling that in some way it's not working right. That comes from the fact that it's a small market and in some ways a residual market and, because of that, much more fragile than the group market. But their gut instinct is if we make it look more like the employer-sponsored group coverage we have now that works so well, the individual market will work much better. Their instincts are misleading them there because the fundamental economics of individual insurance are much different from the economics of a sponsor-subsidized group market. I think what that means is that there is a very real likelihood that government will encourage a shift to individual policies and may do it in a way that could perhaps be counter-productive.

Abraham—It's interesting that you say that because at least for the long-term care market, it feels like the employer group market is a fraction of the individual long-term care market.

Wildsmith—That's true for long-term care. It's less true for disability income and less still for medical expense. I still think there's some danger there. People's expectation of how the market should work, what health plans should be able to do in terms of underwriting and pricing, really are educated by their own experiences with their coverage. If you're in

Congress, that's pretty good coverage (the Federal employees group plan). It just works differently. Most of the people making these laws have never bought the coverage individually.

Murphy—I think the biggest need is among pre-65 retirees who don't have employer coverage after the COBRA period runs out. If they are retirees, they really have nothing. I don't think the individual market meets that need. In one of the proposals in Medicare reform, it talked about extending some kind of coverage prior to age 65 where the retiree would be paying 100% of the cost. I wonder if that is still in the works.

Rappaport—*I think that proposal has come up from time to time. I don't think it's actively being considered right now but I'm sure it will come up again. I also see the pre-65 retirees and their needs not being addressed as a very critical issue. We talked about combination products and focusing on the life cycle. Does anyone want to build on that idea?*

Charsky—First and foremost, the trend of people living longer and healthier is obviously good for insurers who are providing health, long-term care, and life products to these individuals. A downside of this phenomenon is with respect to marketing. People can be in denial as it relates to their longer-term needs. We see a lot of deferral of taking action to meet their ultimate retirement goals and health care needs. The fact that they are living longer is great for them and for the insurers selling certain risk transfer products, but there is this downside as it relates to marketing and sales.

Kellison—Focusing on retirement income, I think one issue is the risk of people outliving assets in retirement. Longer life expectancy and the reluctance of people to annuitize assets present a very significant asset management challenge. That is an issue we have to address.

Charsky—Is that because they haven't accumulated enough assets? Are they not starting to save soon enough, not saving at a great enough level, or both?

Kellison—That certainly is an issue. You used the word denial before and there certainly is a lot of that going on. It's really a shame that younger people can't be motivated to start saving earlier for retirement because the effect of compound interest over several decades really can be eye popping. Many people really do wait too long to start accumulating for retirement. What will happen ultimately is that many people will work longer than they had intended to or have a lower standard of living in retirement than they wanted.

What we're setting up here is a situation where financial planning in retirement is a critical need. There is a growing number of individuals out there who purport to do this and do it well.

Murphy—I think that's all true. It's not just an issue for those with defined contribution plans. For a lot of defined benefit plans that have lump sum options, I've seen numbers that indicate that up to 90% of the people are taking the lump sum, so they have the same issues that apply to defined contribution plans. And, even if you have enough money at the point of retirement, it takes a lot of asset management skill and discipline to make that last 30–40 years. I wonder whether most Americans have the investment management skill and the discipline to create a sound investment and spending plan.

Kellison—I certainly agree with that concern. What we're setting up here is a situation where financial planning in retirement is a critical need. There is a growing number of individuals out there who purport to do this and do it well. There are a lot of retirees who don't really want to be in the asset management business for themselves. Although they want financial security, they'd rather do something else with their retirement years than worry about managing their money. And, even if you do manage your assets well at 65 are you still going to manage them well at 80? I don't know that you are. Even under the best of circumstances, there are clearly challenges. Providing good retirement advice to people will be critical.

Rappaport—*Many women are going to spend a long time in widowhood and will be more likely to be in poverty than married women. For many of them, there's a big decline in economic standard. What product issues does that raise?*

Abraham—From the prior conversation we emphasized the need for future planning—it is especially true for women. At the point of widowhood, where they are facing retirement by themselves there is a concern that quality of life gets eroded because of the reduced income resulting from the need for long-term care. We talked about the challenge to the industry. In many ways the industry has come up with a variety of long-term care insurance products, but despite the products that have been created, the penetration rate of the market has not been that huge. I wonder if it requires a greater wake-up call, perhaps with the help of Federal public policy.

Kellison—I think that's an excellent point. We already have good products out there and we can design products all day long that are even better. However, the fact is that penetration into key markets is slower than we'd like to see it. That's true both in the long-term care area and the annuitization area. We can always improve the products, but there definitely is a question of too many people not taking advantage of good products already available.

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Financial product design, marketing must change with population

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Rappaport—*Steve, is that related to financial literacy?*

Kellison—That is true to some extent on the retirement side. There implicitly seems to be an underestimation of possible longevity. People give lip service to the fear of outliving their assets, but their behavior doesn't always match that. One of the product challenges to annuitization is the liquidity issue. One of the real problems with a traditional annuity is the lack of liquidity. The fact that you surrender a lot of money and lose control over it is a big psychological and financial hurdle for many people.

Wildsmith—Well one thing that occurs to me is that nowhere is it written that a single woman has to be less financially secure than a single man. The phenomenon we're talking about is largely a pattern of the way employment, education, and careers have gone in the past. We are moving toward a point where women's educational, employment and career involvement is less distinguishable from that of men. This may well only be a transitional problem. I have a son and a daughter and it's not clear to me that my daughter will be worse off than my son 60 years from now if she's widowed and he's a widower. That does nothing to mitigate the seriousness of the concern for today's women who for various reasons may not have the advantages of today's men. But I don't think we should automatically assume that a widow is in worse shape than the widower.

Abraham—That may be true but the concern for women is due to their longer life expectancy.

Rappaport—*And, widows are much less likely to remarry than widowers. I'd like to move on. What do we see as the future of financing long-term care?*

Abraham—With regard to future products of long-term care and assisted living and home care, I'd like to think there's going to be a greater flexibility associated with the individual's needs. As the shift of financing moves from the public to the private, the providers are going to step up, with much more attractive and flexible choices. I'm trying not to limit myself to assisted living or home care, because I think we're going to see more choices.

Charsky—I agree with Loida. I see a coming together of financing and service provisions. As you start to think about what happens with the Boomer effect, you have to wonder where all these services are going to come from. Also, as the new service venues come online, how do you deal with things such as quality or fraud? This will be a growing challenge and it has historically been left for the public sector to address. Whether the private sector will have to get involved is a very important question.

Rappaport—*Are there issues regarding population aging that we haven't discussed that are important to the products you work with?*

Kellison—For investment related products, you do have an issue of people's expectation of return on their investments. Because of the booming stock market over the last 20 years, many people have developed unrealistic expectations. I think this is a pretty critical issue for people doing retirement planning in the accumulation phase. There's also a long-term question about liquidation of assets when the Baby Boom generation does retire and you have many years of liquidation of assets as opposed to accumulation of assets. So, I think you do have questions about what investment performance is going to look like over the next 20 years. It may be quite different than it has been over the last 20 years.

Rappaport—*What about the fact that the Baby Boom is coming into retirement? Are there special issues with products, design, distribution?*

Murphy—I agree with Steve. During the 1980s and 1990s, boomers in their working years were savers putting money into the stock market. When they reach retirement age, they're going to be withdrawing it. That will affect the stock market. The other issue with the Baby Boomers is the labor shortage. There's going to be a battle for talent. We're going to be chasing the young workers who are out there and that will affect the benefits and compensation packages companies are offering.

Wildsmith—Along those lines, I think there's been a shift in the way people view benefits and financial instruments and insurance protection. This generation has been trained by 401(k)s, universal life, variable universal life products, and when they think of a financial instrument, those are the models in the back of their heads. My dad grew up in a generation that thought about Social Security and defined benefits when they thought about retirement. I think what that means is if we want to go forward and have products that are attractive to the Baby Boom generation, we have to have products that act the way they expect them to. They tend to think not about the structure of fixed benefits guaranteed to them at a certain date, but about the funds accumulating in the product, what debits and credits are attaching to those funds, and how the funds can be used.

Kellison—I agree with everything Tom just said. One of the things that has characterized the Boomers is a fairly high degree of individualism. They have always resisted the one-size-fits-all types of answers. It's going to be a real challenge to really have the kinds of flexible products available, the distribution system to support it, and deliver those products and explain them well. This is not an easy challenge. The products are complex. We are not making them any simpler and they do have to deal with different people in a variety of circumstances. To deliver all of that and do it a reasonable price is one of the biggest challenges facing the industry.

Abraham—I agree. We know that the Boomers are a large group. We've seen them change the U.S. as they've aged. They have such a say in everything that we know they are going to have a voice in product design. They are the group in that sandwich generation. They see their parents coping with the need for long-term care and they have an increased awareness but there is a lack of action. One of the reasons for that is that Boomers are often so busy. Convenience is very important to them. We had a discussion last week about the decision making process and we realized it is made difficult by the number of choices. The more urgent choice is the need to do something, but people feel they have to make the right decision and they don't have time to make that right decision.

Charsky—I think that people who are to experience these issues in the future are better informed today about what those issues are. Now, the question is are they motivated to do something? If we go back to the infancy of long-term care in the U.S., in terms of insurance, the number one issue for consumers was that they were unaware that this was an issue. So, we are a generation that is more aware, hence I suspect we will be more inclined to do something. How do we get people to take that step and not delay? That's a very important marketing question.

Rappaport—*One of the things that our panel on aging pointed to was the much greater diversity among the aging population. Does anyone have thoughts on how we should think about the differing issues resulting from differences in the ethnic groups?*

Abraham—We actually looked at a study that tried to compare the informational styles of Boomers, Gen Xers and others. It was interesting because it gave some insight into their purchasing behaviors. Our parents' generation wants information in a summary fashion. Boomers tend

to want to know what the angle is and they want it organized. Gen Xers have an impact on the Boomer thinking. They like to participate in that purchasing behavior. Someone mentioned that Boomers are very individualistic. It appears from this study that Gen Xers are going to be even more so. They really are interested in living in their own fashion. It is going to make a big difference in the way we package products.

Rappaport—*Did you also find differences between ethnic groups?*

Abraham—Yes, particularly with long-term care. Specifically, the need to take care of family members; certain ethnic cultures tend to have guilt feelings associated with not personally caring for family members. Those are big issues that came out of that study.

Rappaport—*Do you have any advice for the actuarial profession?*

Abraham—It's been said throughout our discussion but the importance of coming out with products that meet the needs of the future. We've got to find a way to encourage individual planning. Make products more creative that have more value, and are more appealing.

Kellison—I don't think there's any shortage of creative ability within the actuarial community to design products. We clearly have the talented, creative people who can develop products every day. Where we need to focus more attention is on the marketing and communication side so that we can improve the penetration. A second thought is we need to focus more on the individual customer, as well as the traditional employer and provider focus. Those are the organizations actuaries often work for, but I think that if we can step back and look at it from the vantage point of the individual consumer, that would be very helpful.

Murphy—The world is going toward defined contribution plans. That has not typically been the domain of the actuary but we are uniquely skilled in understanding financial risk and retirement plans. We should be more involved in the design and risk analysis of defined contribution plans. As Steve said, maybe that's more a focus on the individual financial planning and annuity markets.

Charsky—I think the actuaries who are most successful today are the ones taking a more holistic approach to developing offerings. They try to create an array of solutions that can be tailored to an individual's wants and needs. I think now that people have had experience with managing and allocating assets, that they didn't have 30 or 40 years ago, they are going to be better able to deal with more complex solutions. So, I think actuaries are going to be challenged now to come up with products and services that are not so plain vanilla and not so single need based. That can get pretty complicated. It can also be a lot of fun.

Wildsmith—I would agree with all of that. In our profession to be successful you need to walk some fine lines. We pride ourselves on our technical expertise and I think that's appropriate. But there are people out there who are better mathematicians than we are. There are people who are even more specialized than we are. What makes us a little bit unique is not that we are technically adept but that we are applied practitioners in these technical fields. We need to always keep in touch with common sense. We need to ask, what does the consumer want and need? Try not to focus so entirely on technical issues that we lose our good sense. Because there are many things that the formulae can't give you. If we can do that successfully, we should not be limited by what the profession's done in the past or the kind of products we are accustomed to working with.

Rappaport—*Thank you all.*

Changing Patterns of Retirement

by Anna M. Rappaport

At the Spring 2001 meeting of the Society of Actuaries in Dallas, the Pension Section sponsored a mini-seminar on changing patterns of retirement. The mini-seminar is an innovative format within SOA meetings. There was a sequence of three related sessions, and members were allowed to register for the seminar separately or attend as part of overall meeting attendance. The continuing education department, the Pension Section and the Retirement Systems Professional Education and Development Committee are interested in feedback on this meeting format.

This article provides some highlights of that seminar. The first session focused on the impact of economic conditions on retirement and the major change in the way people are exiting the labor force. This change is not fully reflected in the design of retirement programs and impacts employee benefits and the financial products used to help finance retirement.

Employees leave the labor force for a variety of reasons — some leave because of poor health, others leave because adequate resources enable them to do so, and they choose to. Economic incentives often encourage employees to leave their jobs, but they may choose alternative employment rather than leaving the labor force entirely.

Since 1985, after decades of earlier and earlier retirement, the age at which men leave the labor force has gradually increased. Women, who did not have the same histories in the labor force as men, are also gradually increasing the time they spend in the labor force. This year the first wave of Baby Boomers will reach the traditional early retirement age of 55. A number of employers will face a markedly older worker force and a significant talent drain if Baby Boomers elect to retire at early ages. The average age of employees in many utilities is in the mid-40s. Hospitals have a general nursing shortage and are concerned as many nurses near retirement age.

Many individuals are choosing to leave the workforce in steps, often by retiring from one job, and taking a bridge job before leaving the labor force entirely. Currently, few employers facilitate leaving the company in steps, but phased retirement is getting increased attention. Often, it is viewed as a way to get people to stay on the job longer. In other cases, such as in universities offering these programs to tenured faculty, it is a way to encourage people to leave.

For decades employers assumed the major responsibility for providing a secure retirement for career employees with male employees retiring earlier and earlier in response to the benefits provided. This situation has changed dramatically during the past fifteen years.

The structure of employer-sponsored retirement programs has moved from programs designed to foster career employment and encourage early retirement to programs that are much more age neutral. During the past five years there have been severe shortages of workers with special skills in some geographic areas, so that attracting and retaining employees has become a top priority for many businesses.

Phased retirement is used to allow employees to exit from a career employer gradually rather than all at once. The panel discussing employee benefit trends in this issue focused on phased retirement as important for the future. The results of a William M. Mercer, Incorporated survey on phased retirement were presented at the seminar.

The second panel focused specifically on phased retirement. Since pension design is often closely linked to retirement decisions, a number of pension design issues influence how and when people choose to leave an employer and/or the labor force. There are also a number of barriers to formal phased retirement based on current pension law. While legislative proposals have been brought forth to change this, nothing has happened to date. Many experts believe that if employers offered good phased-retirement programs employees would opt for them rather than retiring and taking a bridge job elsewhere. There has also been considerable rehiring of retirees, which is a form of phased retirement.

The third panel focused on the Deferred Retirement Option Program, a special form of benefit in the public sector. Using these, employees can defer retirement and earn an additional benefit, usually payable as a lump sum. Many public sector plans still include very liberal early retirement provisions that provide strong incentives for people to retire early. In many types of public employment, it is traditional for people to retire and then go on to second careers or bridge jobs. At the same time, public employers are faced with the same labor shortages and aging workforces as the private sector.

These sessions are available on audiocassette tape. Further information can also be found in the Record (*http://www.soa.org*) for the 2001 Dallas meeting. Related topics were also discussed at Retirement 2000, a multi-disciplinary symposium sponsored by the Society of Actuaries and 13 other organizations. The January 2001 volume of the *North American Actuarial Journal* is a special issue devoted to Retirement 2000. Papers from Retirement 2000 can be purchased on CD-ROM from the Society of Actuaries. Related topics will also be discussed at the Retirement Implications of Family and Demographic Change symposium. See announcement in this issue of *The Actuary.*

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Elections Task Force identifies current problems and possible solutions

by Stuart F. Wason and Cheryl Enderlein

Despite the comfort expressed by survey respondents with the status quo of the election process, the Task Force on Elections is concerned with the real-life challenges being faced by the Society in assembling a yearly election slate and running an organization as large as the SOA.

Problems with Current Process

The Task Force identified some problems with the current election process, as viewed by its members and the Committee on Elections.

- Many candidates decline to run. Time commitment is one factor that seriously affects the supply of willing and capable candidates.
- Current requirements dictate that candidates must have served previously in the next "lower" office (e.g., president-elect candidates must have served as a vice-president). This is unduly restrictive and may not allow members to select the best talent available.
- Another restriction is the Committee's inability to exercise discretion in conducting its work. This results in only the top "vote-getters" in the first ballot being allowed to stand for the second ballot. This is potentially harmful to the long-term interests of the Society. Leading first ballot candidates may have received votes from only a few percent of the membership. While this is perhaps not unusual for an organization as large and diverse as the Society, other able candidates may be overlooked.
- The current electoral process affords members little opportunity to develop an understanding of candidates' leadership qualities, experience, or personal agendas. "Beauty" or name recognition contests, while consistent with democratic principles, are not in the best long-term interests of the Society.

To address these types of issues, the Task Force believes some changes must be made to the electoral process.

Possible Changes

The Task Force suggests that some evolutionary, rather than revolutionary, changes be made to the election process. Possible options for changes fall into two categories.

1. **Broaden the Committee on Elections' discretion.**

   Ideas discussed include:

   - Eliminating the rigid entitlement to nomination (i.e., retiring Board members/vice-presidents are automatically nominated to the next higher office).
   - Allowing the committee discretion to add names on the first ballot to the president-elect/vice-president slates. The second ballot would continue to be determined solely by results of the first ballot.
   - Setting the criteria for the reference list to reduce its size and allow for more committee discretion.
   - Defining new criteria to be used by the committee for all slates.

The Committee on Elections has been asked to draft revised guidelines, taking the above into consideration.

2. **Establish Practice Area representation.**

   Several ideas have been discussed including:

   - Each practice area electing either a vice-president or a board member.
   - The sections electing a vice-president.
   - Vice-presidents functioning as business managers, and section representatives serving as board members.
   - Reserving seats on the board for practice area representatives.
   - Electing Practice Area representatives to serve three years. In the first year, they serve as an elected board member and then two years as practice area vice-president.

The Strategic Planning Committee will be asked to consider establishing practice area representation on the Board when formulating their recommendations regarding sections and practice areas.

2001 Election Statistics

The 2001 election results are in. Congratulations to:

President-Elect Harry H. Panjer

Vice Presidents Robert M. Beuerlein, Stuart Klugman and Bradley M. Smith

Board members Ronald Gebhardtsbauer, R. Thomas Herget, Warren R. Luckner, Bruce D. Schobel, Peter Tilley and Stuart F. Wason

On the second ballot, 34.8% of Fellows voted. This is a very slight increase from the past several years. A survey is being developed to help the Committee on Elections determine why about two-thirds of eligible voters have not exercised their right to vote in recent years.

Fellows were given the option of voting electronically for the first time. Of those who voted, 42% chose to vote online. The Committee plans to continue improving online voting with the goal of eliminating paper ballots in the near future.

In conclusion

These are the most promising ideas being considered for constructive change. They are also consistent with the views expressed by the respondents to the survey.

The Task Force presented a preliminary report to the Board of Governors in June and expects to make its final report in October. Once again, the Task Force expresses its thanks to all who responded to the survey.

***Stuart F. Wason is Chairman of the Task Force on Elections. He can be reached at* stuart.wason@ca.wmmercer.com.**

***Cheryl Enderlein is Executive Administrator with the SOA. She can be reached at* cenderlein@soa.org.**

E&E corner

Less is More at the Fellowship Admissions Course

by Debbie Liebeskind, Professionalism Education Management Committee Chair, and Kara Clark, SOA Health Staff Fellow

The Education General Officers, upon the recommendation of the Professionalism Education Management Committee, have voted to eliminate business cases from the agenda of the Fellowship Admissions Course (FAC). This change will allow the FAC to provide an even stronger focus on its primary purpose of offering professional work practice and ethics awareness and training to new Fellows.

Eliminating the business cases from the course content stems largely from the recent changes to the SOA's examination structure. The original intent of the business cases was to integrate the use of exam-based factual knowledge and technical skills in real-life problem solving situations. Under the new examination system, however, the integration of skills is emphasized in both the Course 8 case studies as well as the project component of Professional Development.

In addition, survey feedback from FAC participants consistently ranked the business cases as less relevant and meaningful than the ethics cases, and written comments occasionally challenged their usefulness and purpose. Finally, similar professionalism courses offered by other global actuarial organizations do not include business cases on their agendas.

The change will be effective at the next FAC in September 2001 and will result in the shortening of the course from 2.5 to 2.0 days, omitting the time previously scheduled on the first evening.

International Conference to Address Aging

The British Actuarial Profession has announced the first international actuarial conference on the aging population, "Aging Population — Burden or Benefit" to be held in Edinburgh, Scotland, January 20 – 22, 2002. The purpose of the conference is to bring actuaries together with people from different backgrounds of expertise to unravel some of the complex issues posed by the aging population and to understand the opportunities and challenges it poses.

The opportunity to submit proposals for papers for the conference is open to all members of the profession and to individuals from outside the profession who are engaged in relevant areas of research on the aging population. For information on research topics or proposal details contact *lindap@actuaries.org.uk* or call 020 7632 2147.

Review Seminars Planned for Sept./Oct.

The Temple University Actuarial Institute is sponsoring intensive review seminars in September, 2001, for Course 5 and Course 8V. Seminars will be held at Temple University Center City, Philadelphia, PA. Complete details and a registration can be found at *http://sbm.temple.edu/~rmidept/actsci.htm* or by calling 215-204-8153.

CAMAR (Casualty Actuaries of Mid-Atlantic Region) is offering review seminars of interest to SOA students in September and October for Courses 1, 2, 3, and 4. The seminars will be held at convenient downtown Philadelphia locations. Visit the Web site *http://sbm.temple.edu/~rmidept/actsci.htm* or call 215-204-8153 for further information.

Courses 5 and 8-I Offered in Chicago

Course 5 and Course 8-Individual seminars will be offered in Chicago, Hartford and Manhattan in September-October 2001. The classes are a mix of lectures, problem sets and discussion of examples customized to improve exam performance. Sessions typically last about 3½ hours depending on the difficulty of the material and the amount of questioning by participants. Details are available at *http://www.SharpWaterloo.com.*

Upcoming Conference to Focus on Retirement

A call for papers is issued for the SOA "Retirement Implication of Demographic and Family Change Symposium" to be held November 29–30, 2001, at the Swan Resort in Orlando, Florida. Papers will examine the changing work force and the retirement needs of the public in light of the increase in divorce, two-earner households, phased retirement, and aging of Baby Boomers.

The symposium is well suited for actuaries, employee benefits consultants, benefit and human resource managers, researchers, and those in the policy community. For more information, visit the SOA Web site *http://www.soa.org* for a complete brochure that includes specific papers being presented or contact *janderson@soa.org.*

Living to be 100 Symposium Announced

The Society of Actuaries Committee on Life Insurance Research announces an international symposium on advanced age mortality to be held on Thursday and Friday, January 17–18, 2002, at the Walt Disney World Swan Resort in Lake Buena Vista, Florida. Registration will begin at 6:00 p.m. on January 16. Anna M. Rappaport will give the keynote address. Papers will be presented by researchers from Europe and Asia, as well as North America. Mark your calendars. Plan to attend, network, and participate. Watch the SOA Web site *http://www.soa.org* for further details. To make room reservations, call the Swan Hotel at 407-934-3000.

RP-2000 Mortality Tables Report Update Posted

Replacement pages are available for the RP-2000 Mortality Tables Report dated July 2000.

Replacing pages 69–72 of the original report, these revised and additional pages provide comparisons of annuities calculated using both the RP-2000 Combined Healthy table and the RP-2000 Split Employee and Healthy Annuitant tables. The original pages had only values related to the Combined Healthy table.

The replacement pages can be found on the SOA Web site at *http://www.soa.org/research/rp2000.html.*

Actuarial Positions Available

Tenure-track assistant, associate, or full professor in actuarial science subject to budgetary approval starting June 2002. Ph.D. in actuarial science or in a related area plus Associateship in a professional actuarial society. Training in finance desirable. Excellent research record and teaching skills. Courses are taught in French. Candidates who do not speak French must acquire an adequate knowledge of it within a reasonable period of time after the appointment. Duties include undergraduate and graduate teaching, supervision of graduate students, and research. Rank and salary will be commensurate with qualifications. Interested candidates must submit a curriculum vitae, including a concise statement of their research interests, at least three letters of reference, and copies of at most three of their most important research publications **before November 15, 2001 (or until the position is filled),** to: Chair, Département de mathématiques et de statistique, Université de Montréal, C.P. 6128, succursale Centre-ville, Montréal, Québec, Canada H3C 3J7, phone: (514) 343-6743, fax: (514) 343-5700, e-mail: *mathstat@dms umontreal.ca, Web: www.dms.umontreal.ca.*

In accordance with Canadian immigration requirements, priority will be given to Canadian citizens and permanent residents of Canada. The Université de Montréal subscribes to an affirmative action program for women and to employment equity.

Six Grants Awarded

Ph.D. Grant Recipients Announced

The CAS/SOA Ph.D. Grants program was instituted to encourage graduate students to complete research in topics related to actuarial science and to pursue an academic career in North America upon completion of the Ph.D. degree program. Grants, awarded on the basis of individual merit, are renewable up to two times upon evidence of satisfactory progress, subject to available funds.

As a result of the competition for the 2001-2002 academic year, the Ph.D. Grants Task Force awarded three initial grants and three renewal grants.

Initial grant recipients and their research topics are:

- Esteban Flores, Concordia University, Robust Regression Methods for Insurance Risk Classification
- Marie Eve Lachance, Wharton School, University of Pennsylvania, Option Pricing of Guarantees and Options Embedded in Pension Plans
- Peng Zhou, University of Connecticut, Stochastic Modeling of Financial Planning.

Students receiving renewals and their research topics are:

- Charles Dugas, University of Montreal, Machine Learning Applied to Financial Risks
- Hangsuck Lee, The University of Iowa, Equity Indexed Annuities
- Diego Hernandez Rangel, University of Waterloo, Financial Pricing and Hedging of Insurance Products.

The SOA library retains copies of the dissertations completed by grant recipients.

E-mail Discussion List Activated

To facilitate the sharing of ideas and the dissemination of information among members of the academic community and practitioners, the Committee on Academic Relations has activated an e-mail distribution list. It is designed to serve as a forum to discuss issues relating to actuarial education and to provide a vehicle for connecting individuals in the academic community with each other and members of the actuarial profession.

The Committee is currently concentrating on defining the aspects of the relationship between academia and the profession in five areas, including: actuarial education, actuarial research, actuarial work, professional activities, and communication. Individuals are encouraged to join the e-mail discussion list to share their thoughts and ideas on these topics. To join the e-mail list, visit the Academic Relations section of the SOA Web site at *http://www. soa.org/academic/index.asp* and click on the "join button."

The Committee on Academic Relations is a joint committee of the Casualty Actuarial Society, Canadian Institute of Actuaries, and the Society of Actuaries. The Committee's focus is to encourage and facilitate the evolving relationship between the actuarial profession and the academic community to achieve partnership on key initiatives.