



SOCIETY OF ACTUARIES

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# Outgoing Chairperson's Corner

by Tonya B. Manning

As I end my three-year term as a member of the Pension Section Council, I step away not only with sadness in leaving such an energetic and devoted group, but also with excitement in anticipation of what is left for the group to accomplish.

This is truly a challenging time for pension actuaries. Evolving markets, corporate environments and regulations have taught us to be more nimble and to expect and be prepared for anything. We know that a one-year forecast is never far enough and it will always be wrong and that a one-size-fits-all approach to plan design is futile. During these changing times, the Pension Section Council recently went about transforming itself as well. As the SOA reorganized, the section councils were asked to redefine their goals, determining what they would be accountable for and restructure to make this happen. In this process of self-examination, the Pension Section Council gained a better grasp of its purpose and mission, and I personally left the process with a greater appreciation of the SOA's value, not only to members, but also to society.

As pension actuaries struggle to keep their profession in synch with the new economy and market, the SOA's offerings of research and continuing education become more valuable than ever. It is not so critical to be well versed in the current rules and regulations—they will be changing. Nor should we focus on today's demographics, for they are quickly evolving. We have to keep our eyes focused on the future and what tomorrow's population will look like. We need to understand the implications of mortality improvement, an ownership society and a social insurance program with an uncertain future.

Current initiatives and projects of the Pension Section Council are critical components in the SOA's forward-looking approach:

1. The Committee on Post-Retirement Needs and Risks continues to examine issues individuals face as they retire from the workforce and throughout their retirement years. Our changing retirement system, shrinking family size and longer life spans have increased the importance in understanding individuals' retirement risks. The committee's 2005 Retirement Risk Survey, the third in a series, is ready for publication. They have also worked with researchers to conduct retiree focus groups discussing how retirees manage financial resources.
2. The council has recently issued a call for papers regarding "Re-envisioning Work and Retirement in the 21st Century." As longevity increases, health-care costs continue to rise and average savings rates decline, more and more workers will need to work past age 65. This brings forth the following questions:

- How can workers sustain long careers while better managing risks?
- Is there a workforce management program that is cost-effective, while at the same time supportive of more flexible work schedules?
- How can society transform its notion of "cliff retirement?"

Answering these questions will require us to go beyond simple changes in retirement plan design. We will need to rethink the underlying definition of both work and retirement.

3. The council sponsors a task force, along with the American Academy of Actuaries, focused on financial economics, with the goal of educating consultants about the principles of financial economics and its value as a new approach to pension finance. To help outline the basic concepts, they are publishing the *Actuary's Guide to Financial Economics Consulting*, which will be available soon.
4. Along with the Financial Economics Task Force, the Continuing Education Committee recently sponsored a seminar on "Enterprise Risk Management and Pension Finance" at the SOA's Annual Meeting in November. The seminar examined how a pension plan fits into capital structure and how its risks become enterprise risks.
5. The council has issued a request for proposal for a literature review on "Defined Benefit versus Defined Contribution: Inherent and Stakeholder Value" to better understand the true value of defined benefit and defined contribution plans and how their value varies by stakeholder.

To cumulate and better focus all these great efforts, the council has adopted "Re-envisioning Retirement for the 21st Century" as its strategic project for 2006. Look for much more on this topic in the coming year. All council members and committees will focus on this initiative from multiple angles, with each group charged with sponsoring projects that align with this vision.

Each of the above projects and initiatives will help broaden the knowledge and perspective of our profession and arm us with the information needed to thrive in our changing world. I challenge you to get involved with the council's activities, because each project's success depends on many hours of help from many volunteers. Our profession cannot survive if we simply sit at our desk and push paper out the door. We have to think of new methods, approaches and solutions to new problems. Please contact Emily Kessler, SOA retirement systems staff fellow, at [ekessler@soa.org](mailto:ekessler@soa.org), or Anne Button, the new chair of the council, at [anbutton@deloitte.com](mailto:anbutton@deloitte.com), to find out how you can be involved in shaping the future of our profession. ♦



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