# LIVING TO 100 SYMPOSIUM

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## Session 2B: Emerging Definitions on Retirement

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**Panelists:** Doug Andrews
Steven Haberman
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**ANNA M. RAPPAPORT**: Good afternoon. Thank you all for, on this nice day coming in, and since we have relatively few people in a really big room, maybe the people in the back want to move up a little bit, that would be great. Welcome to Session 2B: Emerging Definitions of Retirement. In a lot of ways we're going to be building on what's happened earlier today. I was also asked to make several announcements. This session is eligible for enrolled actuary's credit and if you're an enrolled actuary and want credit, you need to find the form outside of the room, fill it in and return it to the staff. So that's one announcement. The second announcement is I believe the cocktail party has been moved to the room where we had breakfast this morning and I've been asked to announce that. Third, Dr. Kenyon will be with us tonight for people that would like to greet her and talk to her so I hope all of you will want to do that.

I'm excited about this session and we're going to be doing some things that are a little bit different from what have been done in the Society of Actuaries meeting that most of us have attended.

All of us have perspectives on retirement. We're going to start by introducing ourselves and some of what's important to us and then we're going to go through a series of questions with an interactive discussion and as we go through the series of questions, and Steve Vernon will explain to you about what you're going to see, you're also going to see some video clips from experts on some of these issues, adding some real depth and dimension, and then at the end of the session we're going to have some presentation of the Society of Actuaries research. We thought about having the research first and decided, well, you could always read the research and if we have a lot of discussion here, we'll let you read the research versus presenting it first.

I want to start with the introductions to say that I'm Anna Rappaport, extremely interested in changing definitions of retirement from many different stake holders' perspectives. I'm a Mercer retiree. I'm personally trying to live phased retirement, make it work for myself and in that regard in my own phased retirement, I have a consulting business, Anna Rappaport Consulting, which keeps me quite busy. I'm also senior fellow

on Pensions and Retirement for the Conference Board of New York, continue to do a lot of work for the Society of Actuaries, but I understand one of my issues is really a huge, like a big red flag for me, for example, is some of the problems around independent contracting and doing contracts. Like it turns out, this is a big complicated issue that sometimes gets really in the way of doing work.

I've also worked with employers on phased retirement for many years. With the Conference Board last year, we did a report on phased retirement after the Pension Protection Act. Valerie and I were just involved in a Webcast for the Society of Actuaries and one earlier this year for BNA, so phased retirement has been one of my big topics and besides that being a big topic, I'm very interested in the whole post-retirement period, chair the Committee on Post-Retirement Needs and Risks where we've asked people about how they're retiring in several surveys and this time (and I hope I have some time to present you some of that information), we've asked them about how things change during retirement. We're talking about stages or phases of retirement that's new work for us and exciting as well, so that's some of what's on my mind. Valerie...

**VALERIE A. PAGANELLI:** Hi, I'm Valerie Paganelli from earlier today. I got involved in the concepts of emerging forms of retirement at what was probably an unusually young age of 21, when I had the pleasure of being an economics major under a host of incredible instructors in college and did my senior paper on the Social Security system here in the United States and my proposal was an unusual form of retirement that I personally wanted to take recognizing the "what's in it for me" being the back end of the baby boom generation and realizing there was going to be this crescendo of strangeness falling upon my shoulders somehow. Couldn't predict it, didn't include longevity projections, but knew that there was going to be a problem and I was going to have to shoulder a big part of it in the work force, so my proposal for retirement was any company that was willing to hire me at age 40, I'd work for them for life as long as the paid for me to be a retiree from age 21 to age 40, and I would collect my pension for that 19 or 20 years, travel, play, have my health and do all those things and then devote my life to that company starting at age 40. Needless to say, the market for jobs was pretty tight in the early '80s so nobody really felt they really needed to take me up on that offer, but what I will say is that I migrated into a profession not intentionally that really allowed me to continue my exploration with alternative forms of retirement and specifically in my years at Watson Wyatt I helped to shape and direct the research around phased retirement, what employees are looking for, what employers are offering and how to begin to bridge that gap and working hand in hand with the employer community to understand their own situation demographically and their needs for reshaping retirement and beginning to assess what I call their durability or their demographic urgency and readiness in how they are going to make decisions today short run and longer term to address demographic and longevity issues.

What I've found in that is that there's an enormous amount of lack of education. There's a huge amount of interest and a growing level of understanding and education within a company, but there hasn't been the focus and particularly at the senior leadership levels for them to be able to articulate what their own company's sense of urgency and

readiness is around retirement. We've watched the decline of the defined benefit plans and the shift of the decision to retire to the individuals and not necessarily just the decision to retire, but the responsibility to prepare for it and quite frankly I think the employers in the shifting of that risk have shifted the direct risk, but are vulnerable to indirect risks as these individuals are unable to afford to retire, don't know what it means and have nothing else but the previous generation's form of retirement to build upon.

I'm an advocate for employer involvement, I'm an advocate for retracing our steps from those quick, easy cost-based decisions that took place over the last 15 years or more and rebuilding our connection through the employer conduit of what retirement means and dismissing the word retirement on some level and recognizing a new pathway that could be shaped organizationally as well as individually. Steve...

**STEVEN HABERMAN:** Good afternoon. I'm Steven Haberman from the U.K. I'm Professor of Actuarial Science at Cass Business School which is part of City University in London. I am going to attempt at various points in the conversation to bring an international perspective to what's been discussed, but let me just say some personal things about me and my interests in the subject.

I've worked in the past in life insurance in the U.K. Social Security system, but for some years have been an academic and my research interests have been concerned with design of retirement income systems, defined benefit, which we tend not to discuss very much now and defined contribution and looking at the key issue of longevity and increasing lifetime.

It's not just increasing lifetime that we should think of when we discuss longevity. We should also think of the fact that there's more uncertainty about those increasing lifetimes and that's something perhaps I'll come back to in the conversation this afternoon. In the U.K. we have recently had a government-appointed commission to look at longevity and population aging and its impact on providing economic security for the population...500 or 600 pages of report that ensued. Very early on in those reports, probably on the first page, it says the solutions are obvious. We save more, we work longer or we're poorer in retirement. It then says a third of those is not socially acceptable so it's the first two that we should be discussing, saving more, working longer or a combination of those two.

If one looks at, for example, OECD countries, one finds that even though the aging effect, the longevity effect has been around for 50 years in some form in the western world, actually age of retirement has decreased for men and for women across OECD countries from 1950 to 1995. It started increasing since 1995, which I suppose is a good thing because it means that there is a trend there on which we can build.

Just some numbers to put this into perspective. In 1950 for men in the U.K. roughly one-sixth of their working life would be spent in retirement, 17 percent. In 2005, the same calculations lead to 31 percent of potential working life spent in retirement...31 percent of the time over the age of 18. That's what's really, as we all know, that's what is putting pressure on our systems, the move from the 17 percent, which many of our systems were

designed to cope with, to now 31 percent, projected to increase further if one uses the various models that many of us have experimented with. How can we hold the 31 percent to 31 percent over the next 40-50 years?

**ANNA M. RAPPAPORT:** And maybe get it back to 20 or 25 percent.

**STEVEN HABERMAN:** Well, then I have to declare a personal interest. Just as I see retirement looming, it seems to be disappearing over the horizon.

**DOUG ANDREWS:** Good afternoon. I'm Doug Andrews and it's a real pleasure to be here to be talking about this subject. I am retired. I'll declare that up front, although as we get into the discussion it will be hard for you to know what that means. I spent 30 years as a retirement actuary primarily. I started as a benefit consultant. The last ten years of those I was active as an investment consultant with AON Consulting. I've always lived and worked in Canada. I'm now doing a Ph.D. in actuarial science at the University of Waterloo and my thesis is in the area of international Social Security retirement systems. I expect to complete my thesis this year and then I'll be looking to teach for another five or ten years and retire again, so maybe I can take your position.

In terms of my interests in this subject, I have a wide range of them, but I know what's coming later, so there's three areas that I want to talk to you about now because I don't think I'll get a chance. The first one, in balancing the costs associated with aging, there is and will continue to be a move towards defined contribution rather than defined benefit approaches, that's inevitable, but it's important that we don't lose sight of the continuing need to provide individuals with protection against uncertain calamitous risks, for example, loss of employment later in the working cycle. It's also important that we provide floor levels of protection so that we don't have all of your retirement income just related to your employment history. Another important factor is universal health care.

In Canada one actuary has estimated that at age 65 the expected value of future health care benefits is about $500,000, so if you don't have a universal health care system that's $500,000 more that you need to have saved to be prepared for retirement. That's a very inefficient approach to have each individual trying to save for themselves and it also is a big piece of mind issue to know that that kind of uncertain risk is taken care of.

The second area that I have an interest in that we're not going to talk about much further is what level of expenses are required in retirement to live adequately. When we do the financial planning for retirement we pick some number, but it's very hard to know what that number should be. We get measures of poverty but people can't agree on whether those are just relative measures or whether there's an absolute measure of poverty and most people don't want to live in retirement in poverty so there's some level above that, but it's very difficult to define what that is, and some of the information about the elderly is that they continue to spend less than is expected by all counts. Now, some of that is explained because their needs are less, they may have acquired all that they need to acquire or most of it. Their activity is less so they may have less expenditures. Some of it may be that they're uncertain about outliving their resources, so they spend less.

Others may be that they're cutting corners. At the University of Waterloo we're doing a study in this area and one of the questions was, well, should we include the cost of insurance? I mean is insurance a necessity in retirement or is that something that isn't a necessity that you could live without? And my issue around this is not only trying to define what are those levels of expenses, but also what is the standard of living of the elderly? Is it going down or is it staying the same or are people improving and that's something that I'd like to see measured.

The third area that I'd like to raise at this stage is some of the measures that we might take in order to discourage early retirement because early retirement certainly is one of the things that puts pressure on the system. An example of a plan design that I'll take from Finland for their Social Security system that they've changed is they have a defined benefit system, but they've changed the accrual rate so that from age 18 to age 52, it's 1.5 percent; from age 53 to 62 it's 1.9 percent; and from age 63 to 67, it's 4.5 percent. There's no doubt in my mind that that would have significant behavioral impact on people trying to make a decision about early retirement.

Raising the normal retirement age I think is a given. Sweden is making gradual increases to reflect life expectancy, the U.S. is increasing in steps to 67. It's something that countries need to look at. Another approach is through the taxation system, so Germany taxes at a different rate a portion of the public pension depending on age, so if you retire at 65, only 27 percent is taxable, whereas if you retire at 55, 38 percent is taxable and if you retire at 70 only 21 percent is taxable, so there are some different approaches that we could use to discourage early retirement.

Just to give you an idea of what the situation is in Canada, I looked at the assumptions in that Canada Pension Plan Actuarial Evaluation Report and in terms of that plan people can retire between 60 and 70 although the full unreduced benefit is available at age 65. And for 2009 onward, the actuary is projecting that males age 60, 40 percent of the people who retire will be males age 60, 45 percent of the people who retire will be females age 60 and that before age 65, 60.5 percent of males will have retired and 66.5 percent of females will retire so there's no question that Canadians are retiring early and I'll look forward to discussing some of the other subjects later on. Thank you.

**ANNA M. RAPPAPORT:** Steve. We have two Steve's as you may have noticed.

**STEVEN VERNON:** So I am Steve Vernon. If you were here in the morning and saw me, I've retired from Watson Wyatt after 25 years and I'm living phased retirement through my own company, Rest-of-Life Communications. And what I'm devoting myself to is helping individuals understand how they can live a long and prosperous life, both with their health and with their money. And I've got two opposing emotions on this. On the negative side, when you just look at the amounts of money people have saved, look at the health of most Americans, you look at the cost of long-term care insurance, I just think it's a train wreck coming down the road and that gets me negative. On the positive side, there's a lot of research out there which is just now emerging and shows us how we can live a healthy life, a long life. I believe our financial institutions have put

together some very good products, also some not-so-good products, but anyway, on the positive side there's a lot out there that can show us how we can live a long and healthy life and so that's what I'm excited about is giving that message out, not only good information, but also putting it out in a way that people will be influenced by it and that leads me to one of my assertions is that a lot of the challenges we face are behavioral.

If you look at our society, the underlying assumption is that work is bad and that we're being cheated out of life if we can't retire or we're failures and that's kind of underlying assumption which I challenge.

If you look at our advertising and our media, they're basically saying, spend all your money, get into debt, eat bad food, and so these are powerful messages coming from our culture and our society that are really counter to all the good research that's now emerging and so what I'd like to do is bring that out, so I'm interested in approaches in communications that have good information, that most people can understand also, put it together in an engaging and entertaining way so that it also influences their behavior.

One last thing and then we'll move on is that if you take care of your health and that's not rocket science, the research is suggesting you could live to 90, 95 or 100. The money just isn't there to retire in your 60s if that's the case and so I think retirement in your 50s or 60s is kind of a bad idea for a number of reasons, which we'll get into, so that word, I think, needs to get out there because if you go to a group of people and you say, "When do you want to retire?" most of them say right now. They're sick of work, they want to get out of the workplace and so we've just got a big conflict in what people want and what I think the reality is.

**ANNA M. RAPPAPORT:** Okay, we have six questions that we're going to discuss and I'm going to start the first one off and I want to say, too, that the Society of Actuaries research, there's a lot of research that we have that helps to answer some of these questions and hopefully we'll discuss a little bit of it before the end of this session, but there's a lot more of it out there. The first one is: What is meant by the new retirement? I will mention that in the 2005 Risk Survey we asked people a whole series of questions about if they were still working in retirement, were they working for the same or a different employer and there's a report on phased retirement from the SOA, but the new retirement...I tumbled into this a few years ago thinking about my own life. I would meet people that would say they were retired and I was curious what they did with their lives and so I would say something to them like...well, how do you spend your typical week or what do you do most of the time? And these people would be telling me about their jobs. They just told me they were retired and then they would start telling me about their jobs. Well, this happened probably a dozen times and I'm like, something is really going on here and more and more people are thinking about the new retirement as work as part of retirement. So I think about this a little differently.

I have a friend who was the CEO of a large not-for-profit in Chicago and she's retired the last couple of years and she's still very active in the community (I think she's still probably consulting), and she said to me, "Being retired doesn't mean that you're less

busy; it means that you get to do what you want to do." I think for all of us it means something different and it's really a chance to make and define what we want to do.

I would also say that as we talk about this subject that we tend to think about it in terms of money as actuaries in health and there's a third piece of this that I'm now very convinced and we'll talk more about, that is engagement. That it's really important that in addition to having health and money that you also have something that you can feel passionate about and that's really important to you. People that ask me for advice, one of the things that I said, you need to...I have a brochure that I've written down what I'm interested in. You don't have to have a printed brochure, but you need to have a story. You need to be able to say and write on a piece of paper, "This is what I want to do and this is what I'm about," because it means you've thought about it, you've defined it and for most of us, it is really important to have something we're passionate about.

I do also meet people in the framework of retirement who say, "Well, I retired and I couldn't stand it and I went back to work." But I think for most people it does mean a really different mix of activities and it's not also something that you start doing when you're 65 or when you're 70 and you keep doing the same thing. It changes over time and that's what I want to talk about a little bit later.

So, I'm going to go around and see what else people would like to add to what they said before and what's meant by the new retirement, so Valerie, do you have some additional comments?

**VALERIE A. PAGANELLI:** Well, again I sort of tend to wear the employer hat given where I spend my time. I would add to what Anna says. I wouldn't wait until near traditional retirement age to have your printed brochure. I think Steve would advocate find that as early as possible and then you don't have to make that transition. But from an employer perspective, that is very key. As employers have looked at the demographics of their organization and start to parse the data and looking at the cohorts that they have that are already in the organization and over traditional retirement age and examining why they're there and understanding what it is about who they are as individuals and what the employment environment provides that helps them to continue to be there every day or some part of every week.

Then also looking at the new hires in their organization and recognizing that for many companies the average age at entrance can be over age 40 now and sometimes is skewed to the age 50-and-over group depending upon the type of industry and really again saying, what is it about this cohort of employees that needs to be different and special and inviting them to partake in those dimensions of the company where they can contribute the most and be most passionate about their contributions as opposed to companies who find themselves in a dire need to redefine retirement as people are exiting and needing to hook them back in, so that for me, I think we're on the cusp of people getting to retire because they have the resources to do so and they have the choice to be able to do whatever they would like to do and the financial resources are there. We're switching over to a population that isn't going to have that same luxury of choice either because

they weren't covered by pension plans their whole career or they weren't good savers in their 401(k) plan and so they're going to be forced to extend and forcing themselves into a new definition of retirement and as an employer, I want to see them harnessing the energy of that group, too, and acting as an advocate for educating and creating the new retirement that fits for those people as well.

**ANNA M. RAPPAPORT:** Doug, do you have some additional comment about the new retirement?

**DOUG ANDREWS:** Yes, I think this is the most difficult question that the whole panel has to address and so I've been talking to people ever since you invited me to be on this panel trying to get an idea of what they think retirement is. There was only one person that I talked to that said, "When I get to be retirement age, I'm out of here. I don't want to do anything after that. I've worked all my life, that's it. I'm out of here." All of the other people are talking just as the rest of the panel about some form of continuing activity and I think though that the sample I have is very skewed because the people I've been talking to are the healthy, the wealthy and the wise and for them a period of self-directed activity, one that they might volunteer, they might have income, but it's on their own terms is what they're thinking about. But what about the poor? I don't have their information.

There was a speech in Capetown last May, someone from the World Bank talked about a lady in India who was over 80 and they said that she got up at 4:00 o'clock in the morning to go to work and she ended at 10:00 o'clock at night and she worked seven days a week and the interviewer said to her, "Well, do you ever consider taking a day off?" and she said, "No, if I take a day off I would die." So what does retirement mean for people that just don't have this financial well-being? A very difficult question.

In terms of getting to retirement though, I think there is one factor and that's when you start receiving some form of nonemployment income or some form of nonemployment insurance. For example, if you're receiving Social Security or a pension or you've qualified for Medicare, that that does change how you are able to think about your life and that may be one of the clues to retirement.

**ANNA M. RAPPAPORT:** And I say for myself, it certainly has affected the criteria that I'm able to use in terms of deciding whether I want to do something or not. Steve, do you have any...

**STEVEN HABERMAN:** Well, I think just to pick up on what Doug and Valerie have said...what does retirement mean? Is it the switch from full-time work to some sort of part-time work or is it as Doug says, "Getting the check every month that represents some sort of income of the retirement nature." I mean I think the discussion as to what retirement may mean may actually be irrelevant in a world of flexibility if one is looking at those who are well off. Sorry, if we're looking at that group who have sufficient financial resources, who can be flexible, then perhaps retirement is the old definition of when does Social Security Pension start, when does the employer-sponsored pension

start? It may not be relevant in the long term. However, for the bulk of people who are not in this privileged group, I think it is going to be important and we are going to be talking about retirement. And I think perhaps it takes us beyond this, but here's also thinking of retirement as the end of a working period that starts at a particular point. Perhaps, there's going to be flexibility in terms of the start of employment, that we're going to have longer periods in education to build up our human capital and skills that we'll need to support this longer period of working and perhaps we're going to have more flexible periods in education spattered through the working lifetime that will then lead to this changing balance between work and non-work.

**ANNA M. RAPPAPORT:** I think in the United States we already have for some people the longer periods of education and the spattering. And, Steve, do you have...

**STEVE ANDREWS:** Just some thoughts to build on what Steve and Doug were saying is that I think for a lot of folks that don't have the assets, the new retirement is full-time work and that's going to happen quite a while.

There's another group of folks that I think that Doug mentioned that you've got some non-wage income coming in, then you have a little bit of flexibility in what kind of work you can take on and so those folks are more fortunate and I think there will be a lot of them and I think a very lucky few are going to have the ability to retire full-time at some early age.

I'll just say a couple of things and then we'll go on. I've taken some inspiration. In my research interview the guy was 100 years old and he's still working three days a week and he said to me, "Don't stop living." I mean he didn't think of retirement as some point where you've reached a finish line and then did something different. He just kept working. He just changed what he worked. He was active in the community, he was healthy, so he just said, "Don't stop living. Don't change, just keep going." And ironically he's 100 years old, working three days a week selling life insurance.

And then there was another lady I read about (I didn't interview her), she was 112 years old when she passed away and the people that talked about her said, "She behaved as if no one told her she was 112. I mean she just kept doing what she liked doing and just didn't stop." And so to me that's the inspiration that I'll just keep plugging away at something I love doing and I won't stop until I have to.

**ANNA M. RAPPAPORT:** We want to move onto the next question: How are we impacted by increases in longevity? At this point we're going to have our first video clip so maybe Steve, you'll explain a little bit about the video.

**STEVE ANDREWS:** Let me explain what you'll see is I mentioned earlier, what I'm interested in is a marketing approach and so what I just produced this year was a DVD on retirement issues and I didn't use the word retirement in the title. I called it, "The Quest for Long Life Health and Prosperity," and I used that term because I think that should be the goal: long life, health and prosperity rather than retirement. And I put this together

to reach a group of people who don't ordinarily read and would rather watch. So we interviewed 12 experts in the fields of life planning and health and finances. We also interviewed 13 people who are from all walks of life who are living the life that the experts recommend.

And so I'm going to show some brief clips of some of these other experts and then we'll talk about the impact of what we've seen. The first clip I want to show, this comes from John Robins. He wrote a book called "Healthy at 100" and in that book he studied cultures where there are a lot of long-lived peoples and how they got there and he also summarizes the research that supports why these folks are living so long. The interesting thing about him, John Robins, you might recognize his last name. He was the heir to the Baskin-Robins fortune. He was being groomed to be the CEO of Baskin-Robins and then his uncle, Butch Baskin, died at an early age of heart disease, which Baskin was one of the founders of Baskin-Robins and John Robins got maybe the connection that maybe there was some connection to eating lots of ice cream and dying at an early age, and eventually he declined taking over as CEO of Baskin-Robins and devoted his life to writing and speaking and research on living health lifestyles.

So, this will be the first clip that we will hear that hopefully will inspire some discussion.

**JOHN ROBINS CLIP:** When I did the research prior to writing "Healthy at 100," I wasn't surprised to find out that diet plays a huge role in our health, that exercise plays a huge role. I'd written about these things in the past, studied them, lived them, conversed with many, many people about them. What did surprise me was the enormous influence and connectivity that other people has on our health and well-being physically as we grow older, not just emotionally, not just psychologically but medically in terms of our physical well-being. There is an illness...and a lethal illness...that corresponds to loneliness, to not having positive connections with people, not having positive, meaningful relationships with others. The list is long and inclusive.

What we are writing is that loneliness kills people. It kills them faster than cigarettes.

In the United States over half of those 85 years and old have dementia. Alzheimer's typically but other forms as well. And this kind of cognitive impairment is kind of a disease, is not enjoyed to the family, to the person who is going through it, it's a lot of loss and a lot of grief, but in many cultures Alzheimer's and other forms of dementia, are rare, even in people in their 90s; even in people close to 100. And what is the difference? There's differences in diet, there's differences in exercise, there's a difference in the brand of community of support that people experience and there's differences in aging and elderhood itself is viewed with a level of respect and esteem that a person that in their later years is getting.

**ANNA M. RAPPAPORT:** Steve Haberman, do you want to tell us, give us some of your perspectives on increases in longevity and the impact on us?

**STEVEN HABERMAN:** I'll try and pick up on what we've just heard. And in a way increasing longevity as I indicated earlier has an obvious impact in terms of making economic security systems viable and in terms of moving whatever the entry age is, the retirement age. But something that I'd like to just spend two minutes on now is the fact that the populations we look at are not homogenous. There are very strong differences between groups and the speaker was picking up some of those and I just jotted down a few if you like. Sources of heterogeneity in the populations which we think are subjected to longevity and I think they're going to be subjected to longevity to different degrees.

If we look at family situation, those people who will retire as part of the connected family and those who won't. Connected families are the traditional way of providing economic security before Social Security was invented in the 19th century, how did populations cope? They used each other within a family. Perhaps they didn't retire at all, they continued working, but the family played a very important role and that could be here. We could be thinking of two spouses deciding to retire at the same time or deliberately deciding to retire at different times. We could also be thinking of risk pooling within a family group.

We could also be thinking now of a population of people who are in their 60s and 70s who perhaps for the first time have dependency connections to children, grandchildren and elderly parents, so you've got multiple generations relying on a particular group.

There is evidence that single men have much lower economic activity rates in the run-up to retirement compared to married men. It's not the same with women, but there is hinting at some selection effect that goes on that pulls single men out of the work force and that's another indication of heterogeneity. Obviously we could think of the health aspects and disability aspects of impacting both on the quality of life post-retirement, but also on that retirement decision itself and probably that's one of the main barriers to continuing to work, the ability to function in a cognitive and active way.

There's research in the U.K. from a longitudinal study of public sector workers which shows that there are improved levels of health and lower mortality rates when you control for every factor except the level of personal control and social involvement that people have. It's a study of people pre-retirement, but one wonders whether that's going to have an impact post-retirement indicating, and I think the speaker was hinting at this, that your level of engagement with the rest of society could be a way to living a healthier life, certainly pre-retirement; post-retirement, it could also have an impact.

I just want to mention one other thing which came out I think in the discussion this morning that there are strong cohort effects leading to heterogeneity in the population. There's evidence in the U.S., but very strong evidence in the U.K. that people who were born between 1925 and 1945 have much lower mortality rates, if you like, then they should have and what's the cause of that is the impact. People argue it's the impact of diet, in effect a controlled diet during a rationing period from 1940 to the early 1950s. The diet in the U.K. was controlled, you couldn't each rich food, you had to eat very simple food. So that's another source of heterogeneity meaning, I think what I want to

draw from that is that not everyone is the same and we're not going to be talking just about the homogenous group even if we allow for effects like income which we were just talking about or wealth. There are other factors that are going to be important.

**ANNA M. RAPPAPORT:** We've had lots of comments in this session and earlier about people needing to work longer because of longer life and I just want to ask if anybody also on the panel wants to comment on this question: How are we impacted by increases in longevity?

**VALERIE A. PAGANELLI:** I know I sat in on a session just before this where Doug presented and one of his proposals in his paper was a brave and bold one, but pushing back the age at which Social Security and other types of benefits might become available to us and I think that's a reality that we need to be embracing and realizing that we aren't necessarily entitled to social benefits either in the way of annuity payments or medical coverage at as young an age of which we have seen historically and although policy makers haven't taken the extreme bold moves that might be necessary yet, that's going to have to happen at some point and we, as individuals, need to be prepared for those policy changes in a way that we aren't today.

**DOUG ANDREWS:** In terms of the paper that I just presented that Valerie referred to, I did talk about three types of capital: financial capital, human capital and social capital and it was important to have a proper balance of those and you can see the social capital message coming out in the clip on the screen.

The quote on Alzheimer's, he says that one half of those over 85 in the U.S. suffer from Alzheimer's or other dementia. In Canada the information is that one third of those over 85 suffer from Alzheimer's or other dementia. Now, the life expectancy is longer in Canada than it is in the United States so maybe that's just an indication of as you age how much more likely you are to suffer from Alzheimer's and other dementia and I would like to make a strong plea here for those who have mental health issues that we need to start treating people with mental health issues equivalently to how we treat people with other disabilities. There really is discrimination towards people with mental health and with an aging population there are going to be more and more of those people that will need our support and advocacy.

And the one last thing I will comment on, Steve mentioned single men and detaching from the workforce. The item that I quoted in the paper was that there is a higher increased rate of mortality for widowers than for widows or for men that continue to be married and what they think this relates to is that loss of spouse and that men rely very heavily on their spouse and with that loss of spouse there's, I guess, the isolation or despair that increases mortality so there are a number of factors to look at.

**STEVEN VERNON:** Just a couple of thoughts. You mentioned one third in Canada and 50 percent. I've talked with other researchers and they will take issue with the 50 percent claim, they think it's a little high, and they might say 33 percent, 25 percent. Whatever it is, it's a big number and so I don't get too excited about the number.

And just a couple there with some thoughts, we saw in the last session. There were two different thoughts I wanted to put together. The blight of this is that one was how the underwriters of long-term are insurance policies, this particular person was saying what was really screwing them up were people who were very healthy except they got Alzheimer's and so they were put into long-term care facilities and lived a long time. That's the nightmare of underwriters of long-term care insurance.

One of the other speakers said that the way to have a healthy 80-year-old is to be healthy in your 40s, 50s and 60s and so for the people in this room and a lot of our employees and constituents, I think that's one way to try and prevent this train wreck down the road. If we have a large number of people in our population of Alzheimer's I just don't know how we can support that and I think that's a preventable train wreck is we start thinking differently today.

**ANNA M. RAPPAPORT:** Yes, all questions we are taking and all questions need to be taken at the mic and people need to identify themselves.

**FAYE ALBERT:** I just wanted to ask about the clip, the idea that other cultures didn't have as high a percentage of people with Alzheimer's. I mean I found that kind of astonishing that other places, that there's something about what we're doing here in the United States that's causing such a large proportion of our elderly to get...

**ANNA M. RAPPAPORT:** I think you have to also be careful because if you don't have consistent measurement, you don't necessarily know if it's really a good system or not.

**FAYE ALBERT:** That's what I was questioning. I was wondering how good that information was.

**STEVEN VERNON:** I'll say really quickly and then to really answer your question, if you read his book "Healthy at 100," but he's got both anecdotal and statistics that are showing the incidence of these diseases in other cultures and so that's all I can say in a brief period of time.

**DOUG ANDREWS:** I've been looking into that issue and I think there are some data issues. Some cultures don't recognize mental illness as something that you count and so you wouldn't count those things, but to relate back to the speech that we had this morning where they were playing around with the genes and the insulin-related one. The research I've been seeing in Alzheimer's seems to relate a gene that has to do with insulin to a gene that's involved with Alzheimer's and the researcher this morning was talking about how diet could be an impact and could affect the gene, so it does seem possible from a scientific point of view that a different diet might have a different impact on your genes, which could affect Alzheimer's.

**ANNA M. RAPPAPORT:** Next question: Which shocks do we need to prepare for and how do we pay the related costs? And we're going to have another video clip.

**STEVEN VERNON:** So what you'll see next is an attempt to be able to convey to most types of folks how much money they need in retirement. Then we'll hear first from Patty Houlihan. She's a Certified Financial Planner. Actually, she was the president at one point of the Association of Certified Financial Planners. She's got a very simple rule, she calls the 20 to 25 times rule. How much income do you need? Multiply it by 20 to 25 and that's how much assets you need.

Turn that around, if you've got a bunch of money, how can you draw down? You're drawing out into four or five percent and so she'll be talking about that. And then we'll see a clip from Bob Powell. He writes a weekly newsletter called, "Retirement Weekly," talking about the cost of health care.

**VIDEO CLIP:** So, Patty, when people retire, what's your guideline? How much can they draw down from their savings?

**PATTY HOULIHAN:** Again, what's the total value. If you take that 20 to 25 rule that I just gave you and take it in reverse, four to five percent is your drawdown, so look at $100,000. If you want to be safe, if you want to feel good that you're not going to outlive your retirement, stay with that four percent, especially if you're younger. And why? Because if you're younger you have years and years of good living in retirement and you've got to make certain that you have the protection that inflation will not eat away at your lifetime.

If you feel lucky and I would suggest to you, I don't think you should, unless you're older starting retirement, but that five percent would give you, if it's $100,000 you've now got $5,000 of income in retirement. Take it up to the $500,000. If you've really done a good job in saving and you've got $500,000 then do your arithmetic there. That's $20,000 of income. If you're being safe, that's going to be $25,000 of income if you feel lucky.

I can't stress enough the inflation concern that I have.

**BOB POWELL:** There have been a number of studies that have suggested that the cost of health care in retirement is growing significantly. One study has suggested that the average 65-year-old couple retiring today would need out of pocket more than $200,000 to pay more all their out-of-pocket expenses. Another study suggests that it may be upwards of $500,000, so I think one of the things that people fail to account for is the possibility that a good chunk of their retirement income will go toward retiree health care expenses. So the more able you are to choose a better lifestyle for yourself when you can and can affect the quality of your life, I think you'll look, the less likely it is that you'll spend $200,000 or $500,000 on health care expenses any time.

**STEVEN VERNON:** Just to close one little loop is the earlier I've said, the average 401(k) balance of people in their 50s and 60s is $100,000, so when you think about that in light of those numbers, that's truly frightening. Now, there's a distinction that most

people don't get but the people in this room do get is that the average 401(k) balance actually overstates the thing and the median 401(k) balance is something like $50,000 or $60,000. I really don't care if it's $50,000, $100,000 or $200,000, whatever it is, it's woefully inadequate and so to me this illustrates the shocks that we're heading for in terms of people who think they're going to retire somewhere in their 60s.

**ANNA M. RAPPAPORT:** At this point I'll take a couple of questions from the audience or other comments from the panel and questions from the audience and comments we'll take from whatever we've done so far or if not, we'll have another break for questions. And, please identify yourself and your organization.

**GARY MOONEY:** My name is Gary Mooney from Optimum Re. All of this that we're talking about makes a lot of sense to us here about the need to delay retirement and save more, whatever. I think there's a huge disconnect with the rest of the population and in particular with the middle income segment that really in perhaps the majority of cases don't have much access to financial advisor.

In Canada we're doing a LIMRA market research study that involved some focus groups so I went out one night and listened to the focus groups from behind a one-way mirror and one of the early questions was: What are your financial goals in life? And these people were in the ages of 30 to 45, I guess, and virtually everybody said, "Pay off the mortgage and retire early." And that's the total totality of he goals they had.

In Canada years ago, London Life for years promoted a concept called Freedom 55 and it was extremely powerful with the Canadian population. People got in mind that they wanted to retire at age 55 and that was the message. This message was so powerful that London Life changed its name to Freedom 55 Financial and that's what the use today. But I think we have many, many people who think they're going to retire early. They're going to be extremely surprised when they find they have to retire late.

**STEVEN VERNON:** Just let me give you one example which illustrates that is, I read a story about a financial planner whose client came to him with $200,000 and the advisor asked, "What are your goals?" "Of that $200,000 I need a retirement income of $100,000 per year." And the financial planner said, "I can do that, but you have to die in two years."

**VALERIE A. PAGANELLI:** I want to just comment from the work in the employer community and again an impassioned plea for what role the employer has to play there especially since they've pulled away the message that goes along with a defined benefit pension plan and that there will be some level of replacement income available in addition to Social Security for as long as thou shalt live, as long as you don't take a lump sum. And the employers have just sort of left that undiscussed now that those are absent from the equation in a big way and so employers really are struggling with what they do want to communicate and how they do want to be a conduit for that information and the work that Steve is doing with his DVDs and employee communications is just the tip of the iceberg unless we get some momentum going within the employer community.

One thing that I do for employers is kind of give them an assessment of their situation and many of them have defaulted in their 401(k)'s to providing education materials that are provided by the vendors. Great material. Beautiful. Talks about the asset accumulation phase and then still...still talks about retirement in the context of age 60 to maybe 67 and shows people with golf clubs and hiking boots and there isn't the reality element to that communication.

Steve talks about the marketing element. That's real, but we have the opportunity within so many venues to begin to influence and talk the real story and not have retirement be this mystery that nobody talks about because nobody wants to know they're retiring until they give their notice and say, "I'm gone in two weeks." That's an old mantra any more. It needs to be an open dialogue that employers are having.

**TOM DEROSKA:** Tom Deroska with Viva. One thing that I've been thinking about a while and this accountant that mentioned take four percent, five percent if you're feeling lucky. We've seen our government...401(k)'s I think now force you to allocate a certain percent. It seems today governments say you need auto insurance. Why is the state saying you need auto insurance? That's because they don't want the individual person to suddenly have to have these resources necessary to cover a claim.

This person saving for their retirement that they're going to need X-dollars. They might need a whole lot less or they might need a whole lot more. That's the whole point, nobody ever knows. How can we make in-roads with the products that we have available? That four or five percent is low compared to what that person could get with an immediate annuity. Don't put all your money in immediate annuity, I'm not claiming that, but are there other examples internationally where government has taken a more active role or what could we do with all these people saying you need to save for the utility advantages of the products that are already out there or soon may be coming.

**STEVEN HABERMAN:** I mean I think this is quite complicated. I mean, if one takes a U.K. perspective, the U.K. government has been advocating for some time that everyone should be saving more for retirement and yet at the same time for those who reach a retirement age with low income entitlement and low assets, the state provides a safety net, so the interaction between...there's actually two different government departments giving actually two different pieces of advice. The interaction between that advice and the safety net is complicated. I mean what the government should be saving if it's going to be consistent is, if you've got low income, spend it on lots of holidays because when you retire, the state will look after you. So it's difficult and I think you actually have disincentives in some systems. I don't know about the U.S., but certainly in the U.K. and our current prime minister is one of the very key advocates of this means testing, as we call it, safety net system.

**ANNA M. RAPPAPORT:** I think the disincentives in many systems, we heard about that in connection with long-term care and Medicaid, I think you have the same issues in Australia.

We'll take one more question and then we're going to move on because we have a lot more material.

**DOUGLAS ANDERSON:** Thank you, I'm Douglas Anderson. Again, a little bit of a U.K. perspective. I've been involved in trying to encourage later retirement ages amongst public sector pension plans in the U.K. and just a couple of anecdotes that kind of occur to me as the discussion is developing. A couple of things that emerge consistently in this was the one that struck me that most employees didn't enjoy their jobs too much because they were so keen to retire. And I kind of wondered how bad HR Departments must be in a lot of organizations because they were not motivating their employees at all to work. All they wanted to do was to wait until they retired. And I think, perhaps in the U.K. that the focus of many businesses and certainly many public sector organizations are far too financially oriented and maybe hard for us to actually see this, but actually we need to invest more in HR Departments to actually encourage people to enjoy their jobs.

One other kind of anecdotal thing, one of the things that kept recurring particularly in school teachers in the U.K. was that they all were these educated people and all believed that they were going to die shortly after retirement and therefore the later that they actually retired, the worse it was going to be for them. The statistics are completely against them here and I think one thing that would really be useful that would actually refute this is if we could start publishing some bits of work that actually showed that economic activity actually contributed to longer life. We need to dispel some of these nonsense myths.

**STEVEN VERNON:** I've got a comment. I've seen that same story that you die a couple of years after you retire, from school teachers. I also saw it from Boeing Corporation going around to the engineers there. I thought, gee, they should at least know better.

I'll make one comment on the annuity idea because in the DVD later on we do talk about annuities and to me if you self-insure your longevity that's where you need the four or five percent drawdown rate, but once you pool the risk of longevity with others through an annuity, then all of a sudden you can drawdown more and a lot of people don't want to...for various reasons, either lack of knowledge or whatever, don't want to buy an annuity and so part of, I think, our effort is to get out the idea that taking part of your portfolio and annuitizing it is a great way to share the longevity risk.

**DOUG ANDREWS:** Not only that, but people don't want to buy indexing either. They don't think that it's good value and that's included in your 4,000 and 5,000 is that you have an indexed income.

**ANNA M. RAPPAPORT:** Steve, are we ready for the next video?

**STEVEN VERNON:** The next one is a little bit of a repeat on the health and long-term care and over here we talked about having financial goals and I think it's important to have goals with respect to your health as well. We're going to hear from Joe Piscitelli. He's got an interesting story. He had heart bypass surgery at age 32 and was told by his doctors that he wouldn't live passed 40, so he was a little depressed about that at the time, but decided to change his lifestyle and now he's age 60 and he's devoted his time to speaking and writing on taking care of yourself, so let's hear from him.

**VIDEO CLIP: JOE PISCITELLI:** We are always, always very concerned about longevity, which is the way…the length of time you are going to live. It's an important question. But I'm much more concerned about what I call health span. How many of those years will be healthy? How many of those years would you be able to live on your own? We want to have health span and longevity be very close to one another so that there is not a lot of time in protracted illness. You live well, you're healthy, you'd have a short bout of illness and then you die at the end of your life.

When we look at populations that live long and also have long life health spans, we find that there are some characteristics. What you find is the basis being just what we talked about: eating well, being physically active, managing stress, not smoking or being around secondary smoke, but two other things that prove themselves to be of great value; one is the interaction with family and friends. As you get older, that interaction becomes even more important to know that family and friends are there and you're part of it. You're part of a larger fabric than just yourself. And the second thing is, keeping your mind physically active, a kind of mental aerobics if you will, so that you're doing Sudoku or you're doing crossword puzzles or you're reading and learning a language and taking a course in a college. You may have retired that job that you've done for X-number of years, but it doesn't mean that you're retired from doing things that are of interest to you and also productive. It might be a volunteer capacity that you're in now, but you do it with all the enthusiasm that you bring to the table, all the skills that you did when you were working for a company. When people do that, put that whole package together, then they have a great opportunity to have their health span be almost to what their life span is which is not only do you get to live a long time, but you get to have excellent health for the vast majority of that time.

**STEVEN VERNON:** So this gets back to setting goals. When I give talks, I used to say the goal is to live long, die fast, and I went to another talk where someone expressed it even better. They said, "You're living a good time, you're living well. You go to bed one night, and then you wake up dead the next morning."

**ANNA M. RAPPAPORT:** And we do have a paper that's presented elsewhere in the conference and Faye Albert is here on health expectancy, so Faye why don't you stand up for a second, so people who are interested in that. They've done a paper on that. I think maybe so we can get to the research we'll just go on. We have two more video clips now or...

**STEVEN VERNON:** Yes.

**ANNA M. RAPPAPORT:** We will go on to the next video clip.

**STEVEN VERNON:** Let's switch to: What role should employers play? And this is one of Valerie's topics. We'll hear first from Bob Powell, the guy who writes "The Retirement Weekly" and then we'll also hear from Sally Hess. She runs the retirement education workshops at Weyerhaeuser. And Weyerhaeuser is one of the more enlightened employers, probably either 'the' best or one of the best programs in the country for helping their employees prepare for retirement.

**VIDEO—BOB POWELL:** Lots of people say they want to keep working in retirement, but it's sort of a double-edged sword, right? There's the notion that they want to keep working, but there's also the notion that employers don't necessarily want to hire older workers for a variety of reasons, so it puts, I think, in some ways the burden on the older worker to figure out how do I retrain; how do I get new skills; how do I get new knowledge...in order to make myself either be retained by an employer to work on a phased retirement or part-time basis or how do I find a new employer in terms of someone who will hire me. And at the moment I think we're in this gray zone where employers aren't necessarily so eager to hire older workers for whatever biases exist. They think they can't learn technology skills. They think that they are out sick a lot, and so whatever bias is out there, older workers will have to overcome this. There aren't enough employers for all the older workers that there will be.

**VIDEO—SALLY HAAS:** Because I believe very much that Americans need help in planning for their future and I believe that we are losing the war on financial literacy in this country and you can tell this because the amount of money that Americans are saving every year continues to decline. I think we actually went into negative saving rate and so I think that employers across this nation are in the best position to help employees be good consumers and employers' benefits, and also to make sense of those benefits and to take meaningful steps to plan for their lives.

**ANNA M. RAPPAPORT:** Valerie, you want to start us off a little bit and maybe at the same time also talk a little bit about what we should do to make phased retirement work?

**VALERIE A. PAGANELLI:** Sure. I would say one of the biggest challenges is the debate on whether or not there will in fact be or is a labor shortage, so within the employer community if they aren't feeling the effects or don't believe there will be any impact to them due to labor shortage, they're probably not at all thinking about extending the working lifetime of their employees or anyone else in the workforce and probably aren't positioning themselves in that regard.

On the other hand, if they do believe or are being impacted immediately by these labor shortages, then they are in reactive mode and so what you see is a lot of ad hoc arrangements for the onesie, twosie people who are walking out the door who have a skill set that is indispensable or believe to be indispensable. And so there may or may not be

appropriate benefits being paid, salaries being negotiated, all sorts of arrangements that if senior leadership or the corporate counsel was aware of would be very uncomfortable.

And so where employers need to wake up is again at the senior leadership levels and I've mentioned this more than once, in educating them as to the implications and allowing organizations then to make a choice as to whether they're going to be proactive or reactive.

I work with both types of companies, those that are in crisis mode and need to be reactive, but the most enjoyable work I do are with companies who want to be proactive and recognize that the aging of a population and the need for a phased retirement or extended working lifetimes is a competitive advantage both today and down the road. And so those are the employers that you see Sally Haas from Weyerhaeuser. Those are the employers that are engaged in both communicating and educating their employees and being real about what retirement may or may not mean. And so that's the type of influence that employers need to have and yet they need to know that there's momentum. They don't necessarily want to be the only ones stepping out into that arena unless they know that there will be followers and so followers can be in the form of other employers, can be through their lobbying efforts with policy makers and through influencing groups like this who are in touch with the research and the development and the innovation. There are demands that are pretty acute in annuity purchase through 401(k) accumulations. It's not an efficient market, but employers would like to know that they're sending out employees with some sense of security through their 401(k) assets and so you are the influencers on how do we marry, for instance, the mutual funds that have been responsible for asset accumulation and the insurance industry that is the traditional venue for annuities and how do we effectively marry those and integrate those efficiently so that employers aren't spending inordinate amount of times sifting through that either on behalf of their employees or their employees having to spend inordinate amounts of productive time figuring it out on their own.

To make phased retirement work, I tend to ignore the fact that there's regulatory and legislative barriers either in this country or beyond our borders and recognize that there are numerous ways of encouraging and incenting people to continue working. It's the engagement factor. It's the flexibility to continue to do something you love. There is an economic factor there, but there are ways to provide for the economics that don't involve pension plans and the hurdles you have to get through legislatively and regulatorily there. In my mind it's always doable. It's a matter of whether you do it in crisis mode or are proactive about it.

**ANNA M. RAPPAPORT:** We have right now the situation that we'll try it in this room. How many people work for organizations that re-hire retirees in some way? How many people have a formal phased retirement program for people to phase into retirement before retirement? I've got one back there, two. But I can do this in almost any room and you get exactly the same result.

There's a tremendous amount of informal phased retirement usually from some form of rehiring retirees. There are a lot of people working at their own thing and companies need to decide if it's really important and move ahead. On the rehiring retirees end, I think there's a lot of potential for use of third parties. There's some really interesting third party arrangements. You're Encore is one. Unfortunately, not involved with financial services and actuaries, but they're scientific people with a number of client companies. Kelly Services manages substitute teacher pools, claim examiner pools. These are just some examples. The conference board new report, Gray Sky Silver Linings, has some nice examples of case studies in there, but we need to focus on the contracting and what to make all of that work.

**VALERIE A. PAGANELLI:** And I think that gap still exists. If you ask how many people envision being a phased retiree in their lifetimes, how many do we have of those? So the employer gap is still quite huge despite progress.

**ANNA M. RAPPAPORT:** And I would also say I've been involved in three different Webcasts, actually four...three different organizations, but four Webcasts...on this topic last year and it was very, very striking in the polling questions and I understand polling questions in Webcasts are not like a scientific research. But extremely striking, when you first of all ask the people, "Do you have anything now?" quite a few have an informal program, practically no formal programs and then when you say, "Are you expected to be there in five years?" big increase, and this happened several times and just the attendance in the sign-up we got as well, it seems that things are going to start to happen around phased retirement and that there is a growing interest there.

Then we'll have the last video clip and the research results and in whatever time we have left we'll have questions after that.

**STEVEN VERNON:** I'd just like to add a few things to the adjustments that are necessary to make phased retirement work. When we talked about what are people looking for in retirement, they're looking for less hours that they're going to work, they're looking for more flexibility, they want to do something that they like doing and that will take significant adjustment on employers' parts to accommodate working hours. People aren't working every day. Working location. They're not coming to your office, they're working from a distance. So that's one aspect. And the research that I've seen indicates that Americans are working more per week; there's our increasing. The rest of the world seems to be going down, but Americans are increasing. So it sounds like you may have an even bigger attitude adjustment than the rest of the world does.

**ANNA M. RAPPAPORT:** Phased retirement, you're really thinking about flexibility of place, schedule and duties and you're thinking about people that want to do what they want to do when they want to do it, versus a full-time commitment. It's not just that people want to work longer. They want to work longer differently in many cases.

**DOUG ANDREWS:** Another attitude adjustment and this is both on behalf of employers and also on behalf of employees is pay that's based on seniority. People are

going to have to get over that idea that...gee, I've got all this experience, therefore, I should be getting an increase because I'm going to be working another year. You're going to have to adjust.

**ANNA M. RAPPAPORT:** I think in the U.S. that's gone to a large extent. I think it's certainly much less seniority-based pay than there was ten years ago.

**DOUG ANDREWS:** Although it used to be impossible to reduce people's pay consciously. And another attitude adjustment that employers have to come up with, I think is that they're going to need more support staff. I don't know how many years ago it was, but some years ago the decision was made that everybody should be autonomous. They should be their own secretary, they could do all the things themselves and so on. When you have more flexible work arrangements and with people that are only wanting to do certain things, you're going to need a lot more of this support to fill in around them and that's going to take an attitude adjustment.

**ANNA M. RAPPAPORT:** Do we want to play the video clip?

**STEVEN VERNON:** Actually I'm clicking through because we already talked about these. There's one last clip which I think is appropriate for this conference. The initial speaker really isn't the star. He's a doctor who wrote a book called, "Discover Wellness," and I interviewed him on the floor of the Book Expo America in New York. That's really not the focus. It's what comes after him that's interesting.

**VIDEO—MALE:** It's interesting for people to know that one of the fastest growing groups are centenarians, people 100 years and older and the fact of the matter is that centenarians should live a happy, healthy, vibrant life. There's documentation about that everywhere. There are societies like that everywhere provided we have a lifestyle that supports that where we live a life of health and vibrancy and well-being and movement and great nutrition and great alignment.

**STEVEN VERNON:** So that's what's possible. We're going to switch over to Anna's presentation.

**VALERIE A. PAGANELLI:** While you're getting situated, Anna and Doug, I just want to comment on what you said about pay and I think there are some definite transition issues there. When you look at the proportion of people in collective bargaining arrangements where seniority is huge and ironically some of the corporate fear is that collective bargained employees will negotiate for phased retirement arrangements with the expectation that there will be more pay involved and that there will be added benefits and so some companies are stressed about offering phased retirement arrangements and then being forced to offer something in the collective bargaining area and similarly with public sector where there is more of an inclination for pay increases.

We also seem to have a culture that was built around the baby boomers that said, "Knowledge is power, and the more knowledge you have the more valuable you are," and

now we're asking people to transition that knowledge and they're wanting to be paid big money to transition that asset.

**ANNA M. RAPPAPORT:** So I want to share with you some of the Society of Actuaries research and I want to tell you that I am so proud of this work. The particular study that I'm going to mostly focus on is the 2007 Survey of the Risks in Process of Retirement. We have nearly ten years of data now. We have four studies in the Society of Actuaries and when we started doing this work, there was tons of work being done and there still is about retirement confidence and about people saving money, but not the post-retirement period so we're going to learn about that and to sort of tee us up, we had this whole discussion and we know that capabilities and health gradually change. We haven't really talked about that gradual change. So I'm going to talk about the survey and particularly the gradual change. Parts of it, there's lots of other material in the survey and you might say, "I need a copy," well, it's on the Society of Actuaries Web site. There are going to be four shorter reports also that focus one of them on particular parts of it coming later this year.

In addition to what people say and expect from our study, you might say, "People say that; what do they really do?" Barbara Pacheco from the Urban Institute has done work using a large database. This is the Health and Retirement Study, the HRS. A national database for those of you from the U.S., your tax dollars at work. It's a government-funded database about how people move through retirement and because they go back to the same people every two years, when people say something, "This is what I plan to do," they can find out two years and four years later, did they do it? And it looks at time use. So together these two are very powerful. We're just looking at glimpses of them.

Some of the findings from the Society of Actuaries survey are, how things change over retirement, some things about timing of retirement that we've talked about a little bit (I want to show you some data), a little bit about phased retirement and working in retirement, about how people are planning for incapacity, death of a spouse and then some time use data.

The stages of retirement work. We can think about this. It's a different perspective as we have different stages because we're different ages, we're different amounts of old, but I think we've heard all day that that's not really a good marker. We can measure by activity level whether we're working or not, health status.

Our survey focused on stages based on ability and associated needs. We also learn that planning is often focused on the first stage and it's the later stages where you have greater needs.

Pre-retirees expect to retire totally different from current retirees.

We've encountered something that we call premature retirement risk, that is, I think I'm going to retire at age 70, but about age 58 something happens to me. I lose my job, I get

sick, my wife gets sick, my mom gets sick. About four in ten people in America in the United States end up retiring before they had planned to and that's a big issue.

There's a big group now that says, "Retirement doesn't apply to me," about a third.

Those who expect to work I think are unlikely to do so passed 75. People who say, "I'm not going to retire," when I say back to them, "What about if you live to age 75?" and all of a sudden, "Yes, maybe."

There's some interesting couple issues data and then we have the time use data.

Only half of retirees have or expect to have an active stage in retiring. The retirees in the last survey, half of them said they had a time in retirement when they had about the same abilities and needs as before retirement. This may mean that a lot of them didn't retire until they got sick and we're kind of interested in that topic. I don't think we necessarily know the whole answer. About 60 percent of pre-retirees expect that.

I said this timing of retirement issue. Of the retirees, and these are people who have defined retirement as self-declaration and the question is primary occupation...retired from their primary occupation.

This is 2007. Pretty new data. Seventy seven percent of them retired before age 65; 31 percent before 55. Wow! We're all hearing about working longer, but what's going on with these people? At the same time the people who aren't retired yet, only 29 percent of them expect to retire before 65 and 32 percent say it doesn't apply. Essentially, I'm not going to retire. And we worry about that group because we think...hey, this might be an excuse for saying, "I don't really have to save money," and if you don't have to save money because you're not going to retire, then someday you're going to be in a mess. You say, "I'm going to keep going as long as I can," that's fine. But this kind of big disconnect...this is what's happened with retirees, this is what people expect. We've seen this repeatedly.

There are a number of other areas where we see people say one thing, they expect to have a lot of income from sources other than Social Security. They get most of their income from Social Security once they're retired. A lot of misconceptions. There's another report on the Web site that is two or three years old about misperceptions.

We've talked a little bit about this gap about how people retire. About 30 percent of retirees, people who said that they were retired, are phasers. This exist informally. They worked for pay in the last year.

Recent work with the HRS, a different study from the one cited here, about half of the people retiring recently there had done some phasing of some sort.

Phased retirement will likely increase in the future.

In 2005, we had more questions about what those phasers were doing and about a third of them continued to work for the same company as before. The majority of them did continue to use the skills that they had used in their primary occupation. And few people retire at the same time as spouses.

We asked people about, "Do you expect to experience some level of incapacity?" and 72 percent of the retirees said there would be a time when you were somewhat less able to do things that you used to do or your needs are somewhat different compared to 84 percent of the pre-retirees and about two thirds of both groups when you are much less able.

So when asked, there's a recognition that there will be some decline, but then we asked them about money and some said they need more money, some thought they'd need about the same amount of money or less money, so that was interesting and this is worth...For people that are in the insurance business, this is worth getting out this data and

Really studying it.

We then asked them about planning for it. We also had some questions that I don't have here to talk to you about: community service and how they thought they'd get support in the community.

But insurance plays a relatively small role in their planning for the increased need. Eleven percent of the retirees said they had done or would buy long-term care insurance, and when people say they will do something, more say they will do it than actually do it usually as compared to eight percent of the pre-retirees, saving more money and investing to make money last, cutting back and spending were answers, and those are also answers when you ask them about financial management strategies in retirement, those are the top answers. But we tried to explore how were they planning for this, because this gets right into the risk management issue.

We are excited because this is a new...as far as we know we are the only people that have done this in this way.

The next area I want to touch on is this issue of the spouse's death. Doug talked about people being depressed after their spouse's death and we know that, for example, that widows are worse off financially in the United States than before the death. We know that four out of ten widows in the United States over 65, all the money they have is Social Security period, end of story. They basically have no other financial assets, and the answer to this question, if your spouse were to pass away before you or you would before your spouse, would you be better off, about the same or worse off? Sixty percent of the retirees and the pre-retirees said, "Oh, about the same." I mean it's just astounding to us. We were really surprised about this and a fair number more said better off or about the same said better off with the pre-retirees and more about the spouse first. And we were really concerned that this represents a lot of denial.

Now, we did have discussion...I presented this data at the Chicago Actuarial Association and one of the actuaries who was there who is now a planner, pointed out that there are situations where people might be better off. For example, if you had somebody really ill in the household and you were draining a lot of assets and also if you are living significantly from accumulated assets, the assets only need to support one person after the first death, but if you have any kind of regular income coming in, it's very likely it may stop. Social Security doesn't pay enough to maintain that part, so there is clearly a lot of misperception and a lot of opportunity for the insurance industry here. We are really, I think, quite concerned about this.

Now, the time use data. This is from Barbara Butrecca and there's going to be a nice report that weaves this material together with some of the work from our study. This work is not in the report that's on the Web, but it is in Barbara Butrecca's presentation that she generously did at the annual meeting. She found that 93 percent of people 55-64 grading down to 58 percent of people over 55 engaged in some sort of protective activities. A very large number. And then she said...okay, how does this change by age? And the top thing is work. Well, 65 percent in the 55-64 group were working, down to nine percent at the 75 and over. My sort of informal, off the top of my head, 75 is the limit for most people.

The formal volunteering didn't vary very much by age, it's about a third. The informal volunteering went down significantly by age, but lots of people did it. Caregiving also was higher at the younger than the older ages. So these are some of the things that they found people were doing.

Then the question was: How does it vary not by age, but by health status? And, no surprise, the people in excellent health worked a lot more than those in fair, good or poor health, but of those in poor health, still 20 percent were working, 39 percent of those in good health. The formal volunteering kind of tracked the work, a little bit lower numbers. The informal volunteering tracked, but higher numbers, and caregiving, it didn't seem to matter very much. There wasn't a huge difference depending on the kind of health.

Now, she also looked at who works passed age 65 and 25 percent of men compared to 13 percent of women. Twenty one percent of married people compared to 14 percent of nonmarried. Much more likely to 25 percent in those in excellent health versus eight percent of those in poor health. And high wealth people were more likely to work passed 65 than low wealth people.

We thought this was all interesting. As we're thinking about these issues of retirement, this was all very interesting data. We also asked about seniors who were more active. She also looked at the seniors being more active saying they were more satisfied. This study is a very, very comprehensive database, so you have information about people's economic status, what they say and over time and she found that people who were doing

things were more likely to be satisfied than not satisfied and those who didn't have activity were much less likely to be satisfied.

And there was an exception to that depending on the kind of things that they're doing and those that were doing caregiving only were less satisfied, a little bit in multiple caregiving tasks which is very stressful, much less satisfied. The working and volunteering only, they were quite a bit more satisfied.

That's the data that I had for you.

In the future, will opportunities for paid work exist? There's a wide range of you and Valerie's been talking about this, about future shortages of workers in the United States. However, if you are a utility and you need nuclear engineers, the shortage is here. I mean there are specific occupations: nurses. There are very spot-specific occupations with already big shortages and how many and where is the question. We know the labor force will grow more slowly. We also know that some things can be outsourced. There are changes in market need. But if you happen to be a defense contractor, you can't send that work overseas.

So...we just don't know. We do know that there are puzzles. Many people say they want to work in retirement. Many people end up retiring earlier than they had planned to. How many people are going to lose jobs in the future? We know that displaced workers have a harder time at higher ages, so we just don't know the answers about the work.

And that's the end of the presentation piece of this. And I think we can take two or three questions and then we're at the end of our time, so...if we have a couple of questions and you all are probably pretty tired by now, too.

Do we have any questions or final comments? Do we have any final comments from the panel?

**DOUG ANDREWS:** Just in terms of labor shortages. There's two cities in Canada that have labor shortages right now. One is Victoria. Victoria has the oldest age population. It's a place that has the best weather and it's mostly older people and they can't find the workers to keep the coffee shops open and everything else. And the other one is Calgary, which has high economic activity because of the price of oil going up and they can't get enough workers. So there could well be labor shortages just because of particular mixes of cities and geography.

**ANNA M. RAPPAPORT:** Anybody else have any closing comments? Well, I hope you all are going to really want to look at the Web site and look at the research. The reception is at 6:00 o'clock in the next room and I want to thank you all and if you want enrolled actuary credit, please remember to turn in your forms and remember that Dr. Kenyon is going to be at the reception. Thank you.