

LIVING
to 100

SOCIETY OF ACTUARIES
INTERNATIONAL SYMPOSIUM

2020 Symposium
Jan. 13–15
Lake Buena Vista, FL

General Session V – Panel: Public Policy and Long Life – What Challenges are Facing Policy Makers Around the World and How Are They Dealing with Them?

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Public Policy and Long Life Challenges

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General Session V

Tuesday, January 14, 2020



Presentation Framework

- Current status of prominent longevity social systems
- Risk and Opportunities
- Continuing and future research



Current Status of Longevity Social Systems



Key metrics

- Accelerating population aging across high income markets
- Fertility rates continues to decline
- Some improvement in system sustainability scores even though demographic challenges
 - Increases in the effective retirement age

Pensions at a Glance 2019 : OECD and G20 Indicators

<https://www.oecd-ilibrary.org>

<https://www.fiapinternacional.org/wp-content/uploads/2016/10/Pension-Sustainability-Index-2016.pdf>

Trends

- Favorable tax treatment for savings / contributions / investment returns in private plans
- Tax incentive utilization as % of GDP
 - Many very small; US 0.8%; Canada 1.9%
- Some countries improving on sustainability due to design of their public pension systems; others decline due to worsening fiscal situations.



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US SECURE Act

- Broader access to annuities in 401(k) plans
- Increasing the required minimum distribution age
- Multiple employer plans for small businesses



<https://www.marketwatch.com/story/with-president-trumps-signature-the-secure-act-is-passed-here-are-the-most-important-things-to-know-2019-12-21>

SOA Aging & Retirement Research

- Additional consideration needed to be given to major unexpected expenses or shocks, such as poor investment performance, long-term care, and death of a spouse
- Greatest risk are vulnerable populations such as the disabled, widowed, divorced, unemployed, and those with no workplace retirement benefits

Fast Facts

 Aging and Retirement

Retirement Adequacy in the
US: Should we be concerned?

<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/retire-adequacy-us-concern.pdf>

Risks and Opportunities



Non-standard Work

- Self-employment, temporary or part-time work
- More than one-third of employment across OECD countries



Non-standard Work

- Need more inclusiveness and harmonized public and private systems
- Example: Japan “non-regular employee” percentage heading towards 40% of workforce

Year	Employment (Millions)	Non-Regular Employment Percentage
1989	42.7 M	19.1%
1999	49.1 M	24.9%
2009	51.2 M	33.7%
2018	56.1 M	37.7%

Pensions at a Glance 2019 : OECD and G20 Indicators

<https://www.oecd-ilibrary.org>

https://www.actuaries.org/IAA/Documents/WG_MWG/Seminars/Tokyo_Nov2019/Presentations/3_IAJ_Efforts_to_Maintain_Sustain_Adequacy_SocSecPensions.pdf

Opportunities

- Immigration
- Technology
- Employment to older ages



Opportunity: LTC Social Systems

- Many markets keeping their eyes on places where public insurance is available for long-term care services
- Examples: Germany, Japan, Korea, the Netherlands
- How to fund?
 - Payroll Tax? Personal Income Tax? General Revenues?
- What to cover?
 - In-Home Services? Institutional Services?



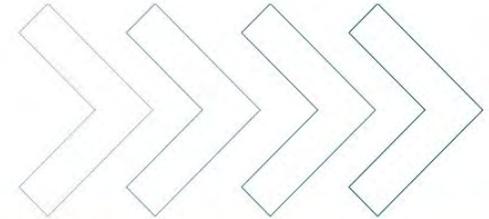
<https://www.asaging.org/blog/international-approaches-long-term-services-and-supports>

Research Trends



Society of Actuaries Research

- Singapore Long-Term Care
 - Projected disease prevalence and disability for general population growing
 - Physical and human capital constraints
 - Concern about limited access to services to support the 1-2 Activities of Daily Living space
 - Concerns about the adequacy and sustainability of financing



Aging in Singapore

Implications for Long-Term Care Financing



<https://www.soa.org/globalassets/assets/files/resources/research-report/2019/aging-in-singapore.pdf>

Society of Actuaries Research

- Retirement in China
 - Portability of social programs across hukou household registration systems
 - Opportunity for more employer-based private systems
 - Opportunity for micro-insurance products and new distribution methods for rural population

<https://www.soa.org/globalassets/assets/files/research/projects/2017-future-retirement-china-complete.pdf>



Society of Actuaries Research

- Asia/Pacific Retirement Market
 - More individual responsibility focus
 - More than 65% consider it their own responsibility to fund retirement with limited reliance on government or family members
 - Distribution opportunities
 - Banks, post office
 - Strong interest in guaranteed income streams



Summary Report

<https://www.soa.org/globalassets/assets/files/resources/research-report/2018/spotlight-on-retirement-summary.pdf>



Society of Actuaries Research

- Latin America Retirement Market
 - Younger average populations (Argentina, Peru, Mexico)
 - Lower rankings overall in sustainability with private systems under financing pressure
 - Strong opportunity for employers to be key players in private benefits and retirement education





SOA Living to 100

Impact of Loneliness on Longevity

Jim Toole, FSA, CERA, MAAA





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Introduction

Introduction

Why are we talking about this?

- **Studies have shown some profound health impacts**

- Loneliness increases the likelihood of mortality by **26%**
- Mortality **2.3** times for men with the fewest ties vs men with the most ties
- Mortality **2.8** times for women with the fewest ties vs women with the most
- These are independent of health, smoking, drinking and SES

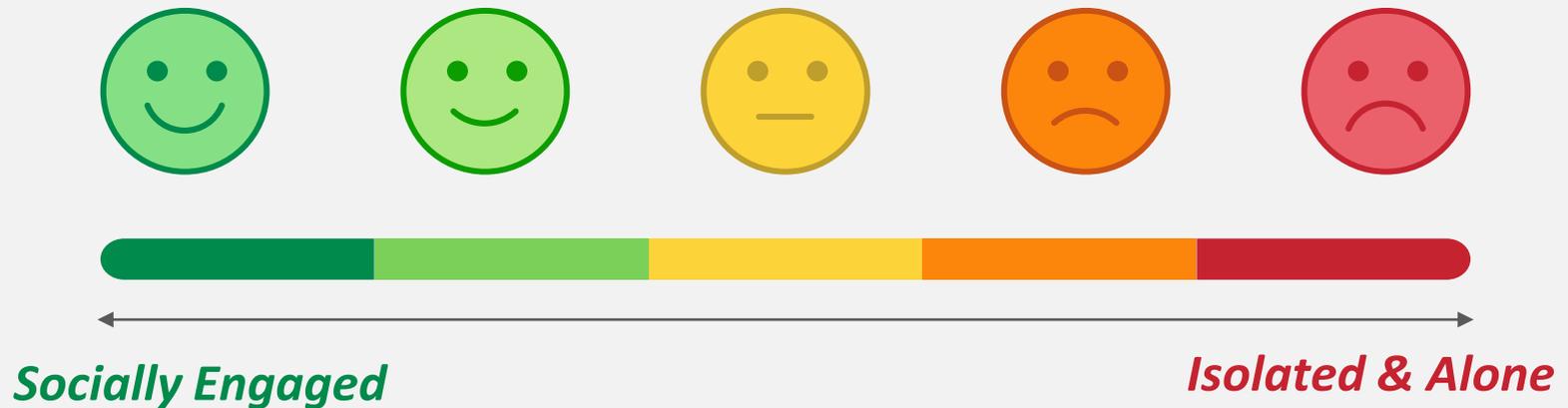
- **Impact**

- Loneliness rivals obesity as predictor of early death
- Mounting evidence linking loneliness to physical illness and cognitive decline
- Consistent with findings on solitary confinement

Introduction

What is “loneliness”?

- A subjective, negative feeling related to deficient social relations
- Perception of sadness from being alone and/or isolated
- Loneliness, like pain or hunger, is a symptom



Introduction

How is loneliness different from depression?



Loneliness

- A common experience. It can be part of a healthy brain function that compels you to find a social network
 - Temporary feeling, can impact up to 75% of adults
 - Loneliness can lead to depression



Depression

- A serious illness that negatively affects how your thoughts, feelings, & behavior.
 - Longer term and must last at least two weeks for a diagnosis
 - Estimated to impact 5% - 10% of adults

Introduction

How is loneliness different from being alone?



Alone

- Being alone is when you are by yourself. You can be happy while alone
 - Content reading a book or enjoying a hobby



Lonely

- Being lonely is when you feel abandoned or sad due to isolation and wish for the company of others
 - Wishing you were participating in an activity with others

Introduction

What are “social networks”?

- Not apps on your phone
- Sociologists have been studying them, and their impact on health and longevity for over 50 years

Typically measured using three levels:

Primary

Spouse or partner

Secondary

Children, extended family, friends and neighbors

Tertiary

Community engagement (clubs, organizations, and activities). The group of people you feel close and connected to, and can interact with on a common, re-occurring basis



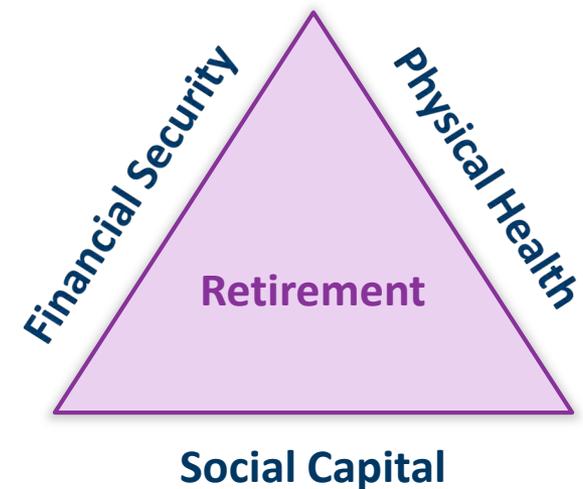
Introduction

How do social networks (or a lack there of) relate to loneliness?

Retirement Planning

Social Networks help keep individuals, particularly retired individuals, engaged with an organization or membership that looks to accomplish a task and provides a sense of **purpose** for an individual

- Wake up with some form of activity or event to look forward to
- Provides a sense of a daily/weekly routine
- Lack of access to these social networks and lead to a deterioration in a sense of purpose and daily motivation (“Apathy”)





Who is Impacted?

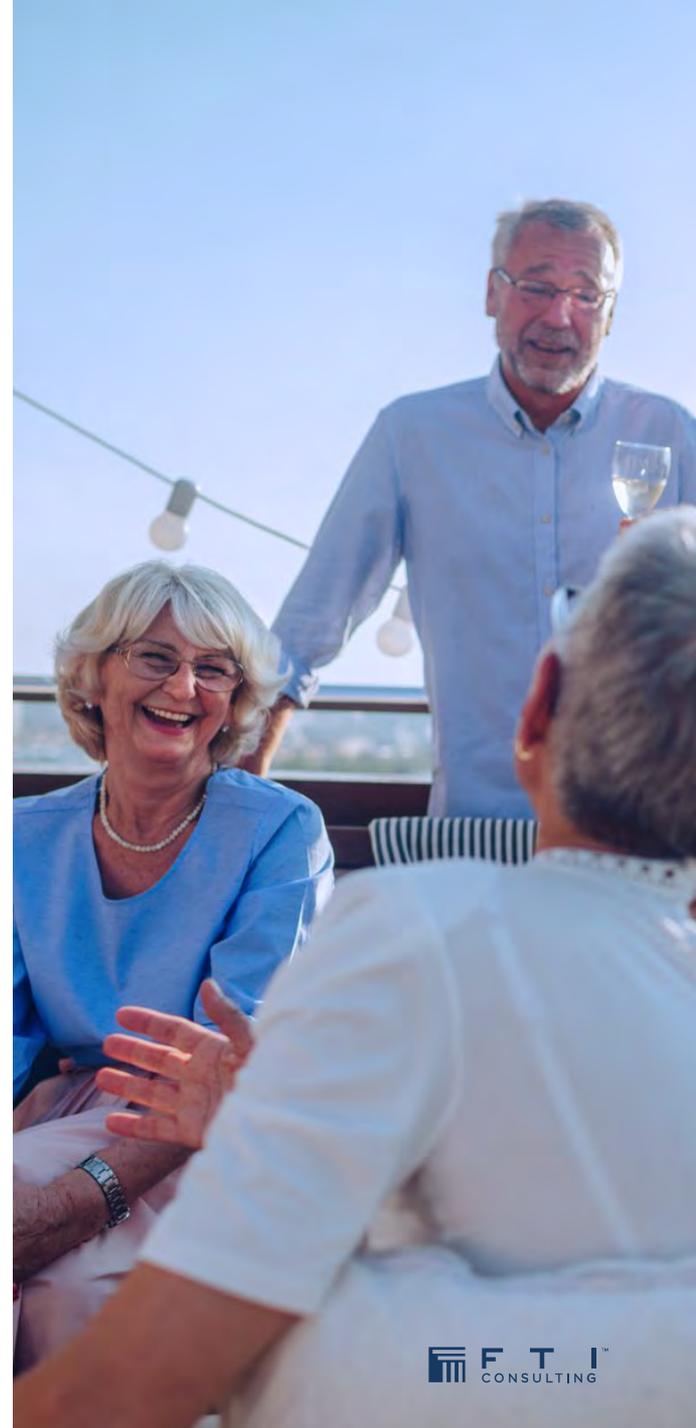
Who is Impacted?

Gender Impact

- Men **55 and older** have difficulty finding new friends and maintaining existing relationships
- Women **55 and older** are able to maintain their existing relationships, and also create new friendships.

Rise in Elderly Living Alone

- Rising % of never married adults
 - 23% of men, 17% of women
 - Doubled since 1970
- Divorce
- Single men vastly outweigh single women in reported loneliness



Who is Impacted?

Urban vs Rural

Urban Loneliness

- **Urban Debate** – is it a societal problem, or a personal imbalance?
- One logic is that, people need to venture out and make friends & develop social circles on their own. Can't rely on society to do it for them.
- Urban planners and city policy does not support the inclusiveness of all ages of residents to support continued social networks
 - Built environment (public health issue)
 - View boosting affordable living, green spaces, public transit as ways to improve quality of life and combat loneliness



Who is Impacted?

Urban vs Rural

Rural Loneliness

- Rural: Two major scenarios with similar problems
 - Life Long Residents
 - Relocated Retirees
- Both face similar problem – they have aged and they are now located far from their families, friends and support groups



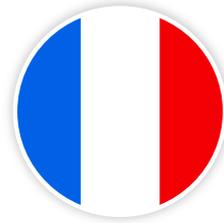
Who is Impacted?

This is a globally recognized problem.



China

Aging Women



France

Heat Wave of 2003



Japan

Hikikomori



U.K.

*Minister of
Loneliness*



USA

*Recent studies and
trends in the US*

Who is Impacted?

Hong Kong, China



- Older women living alone are being forgotten
 - In Hong Kong, the number of unwedded women living alone rose 44% from 5 years prior
 - By 2036, it is estimated that Hong Kong's gender ratio will skew to 763 men per 1,000 women
- Women also live much longer, 88 years vs. 82 years for men.
 - Lack of care-takers in late stages of life
 - Women are taught (through school and pop-culture) in their younger years to plan ahead for a life alone

Who is Impacted?



France Heat Wave of August 2003

- 14,802 heat-related deaths, 80% of those were over 75 years of age
- Estimates as high as 70,000 across all of Europe
- Eight consecutive days of temperatures more than 40C, or 104F
- Individuals, infrastructure and government/public health not accustomed to heat.
 - Some blamed the government (French Left).
 - Others blamed French family structure and society (particularly the Red Cross & French Right).
 - Social isolation played a key role

Who is Impacted?

Japan

- Hikikomori – “pulling inward, being confined”
 - Reclusive adolescents or adults who withdraw from society and seek extreme degrees of isolation and confinement
 - Estimates of 500,000 young adults are impacted
- Kodokushi – “lonely deaths” among the elderly
 - Reserved for when remains go undiscovered for a long period of time
 - ~350/year (1980s), ~1,100 (1990s), ~2,250 (2000s) in Tokyo
 - A Tokyo moving company reported that 20% of all jobs involved a case of Kodokushi
 - Nobody to check in, expenses on automatic withdrawal



Who is Impacted?



U.K. – Ministry of Loneliness

- Over 9 million people in the U.K. report often or always feeling lonely
- Roughly 14% of the population
- Prompted Theresa May to appoint a ‘minister of loneliness’ in Jan 2018
- Debate in public opinion on whether this solution can be fixed more accurately by the government, or the private sector

Older Population

- Combat isolation in older U.K. population
- Lists risk factors as “family breakdown, divorce, and relocation for retirement purposes”
- Poor, unemployed, disabled and migrant population at the highest risk

Younger Population

- Not immune to this problem (similar to global trend)
- Increasing among 18-24 year old's

Who is Impacted?



United States

- Nearly 50% of Americans report feeling lonely
 - 28% of older adults in the U.S. live alone (13.8M people)
 - 10% of Americans 50 or older don't have a spouse or romantic partner (8M people)

Elder Orphans

- Aged individuals who are socially and/or physically isolated, without an available known family member, designated surrogate, or caregiver.
- Baby boomers -> Fewer children and more divorces
- Nature of the American Work Force / Job Market
 - Lifetime residents age in home town and friends slowly pass
 - Kids leave family and hometown behind in search of paychecks
 - Retirees search cheaper living and move away from family
- Impacts healthcare, finances, ADL, loneliness & isolation



Why Should Actuaries Care?



Why Should Actuaries Care?

Why are we talking about this?

Health Insurers Name Social Determinants of Health Critical to Address Among Seniors

Q: Which area of senior care do you feel requires the most immediate attention?



Leaders say social isolation and mental health need immediate attention

Survey respondents say **social isolation** and **mental health** are the areas of senior care that require the most immediate attention from health insurance plans. This response surpassed home care and hospice, diet and nutrition, and mobility responses combined.



Why Should Actuaries Care?

More so than just actuaries – why should anyone care?

- Loneliness has physical, emotional, and mental costs
- It impacts everyone as health costs will have a ripple effect
- Upcoming boom in retirement due to demographics
- Federal Health Resources & Services Administration used the term “Loneliness Epidemic” to describe the nation’s older population
- It will impact insurance products
 - Cigna, Humana, Aetna all making proactive steps to combat this via surveys, education and outreach
 - Long Term Care
 - ✓ 7 Million Americans currently have this
 - ✓ Estimated 45 Million will need it by 2025

Why Should Actuaries Care?

The Impact

- Lack of self-care – compounding disease that grows
- Inability to react in emergency situations (i.e. slip & fall, heatwave, etc.)
- Legal & care issues as the demand for LTC is increasing, but facing supply shortage and increasing costs.
- Availability of transportation & mobility services

For Insurers, look at the data

- Earlier mortality
- Links to depression
- More dangerous than obesity
- Tied to increased risk of heart disease and stroke



Programs & Policy

Programs & Policy

If we do care about this epidemic, we should do something about it

What can we do?

- Program Development
 - The lonely and elderly have valuable contributions to make
 - Need motivation and opportunity to thrive
- Medicare – Provide in-home care to preform services for individuals homes vs. taking them to the hospital
 - Research showed this would save taxpayers billions
 - Took an act of congress to approve this
 - Still fraud in the system from providers
- Daily self care – like brushing teeth!
- Think Gobal, Act Local

Programs & Policy

Real life examples of solutions – Animal Therapy

- Currently 12+ nursing homes in Northern England raising hens and chickens to combat loneliness and boost activity levels
- Benefit particularly in men, as it reduced loneliness and overall well-being
 - More likely to get involved, “hands-on”
- Families stay longer when they visit
- Hen Power!!



Programs & Policy

Real Life examples – Combining Child Daycare and Nursing Homes

- Spending time with kids helps seniors fight off loneliness
- Increases movement & activity of seniors
- Assists Individuals that have to care for both children and parents
- Naturally brings friendly attitude.
Adults can be stand-offish around people they are familiar with.
This disappears with children



Programs & Policy

Real Life examples of solutions – Intergenerational Housing

- **Intergenerational Housing** fosters interaction of social programs that engage and support all age groups to improve the lives of children, youth and senior adults.
- Enables people of different ages to live side by side as good neighbors, to share their talents and resources, and develop meaningful relationships.
- Fosters programs, policies, and practices that promote engagement, cooperation, interaction, and exchange between residents of different generations
- Provides adequately for the safety, health, education and basic necessities of life for people of all ages, by taking a partnership or community-led approach to the delivery of services and/or activities





Questions / Comments

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Social Security in Arab Nations

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Pension Policy Center

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This Presentation

- Trust as an issue in Social Security systems
- Social Security in Arab countries

Trust in Social Security

- Around the world, it is common for young people to say that they do not expect to receive anything from social security.
- A lack of trust in social security seems to be more common among younger people than older people.
- Arguably, trust in social security has been reduced by population aging placing strains on social security systems.
- The inability of US politicians to resolve the future insolvency of social security may also be a factor.

Who Doesn't Trust

- Younger workers are more likely to express a lack of trust in social security.
- Lower income and lower education workers are more likely to express a lack of trust.

Trust in Social Security 2

- Another factor may be conservative political philosophy that supports a lack of trust in government programs.
- However, if people were behaving rationally with respect to this lack of trust, they would increase their savings. There does not seem to be evidence of that occurring.
- One possibility is that people say they don't expect to receive anything from social security, but that doesn't reflect what they actually believe.
- Another possibility is that they do believe it, but they don't have the will power to act on that belief.

Social Security in Arab Countries

- The Arab countries of the Middle East and Northern Africa generally cover a relatively low proportion of the working population.
- They generally have relatively young populations.
- Some of the countries face social issues of exclusion and special treatment of powerful elites.

Similarities

- The cultural similarities of the Arab countries cause their social security programs to have many similarities.
- In most countries of the region, the social security programs were developed relatively late in the world context—all have been established since 1950.
- They nearly all have traditional defined benefit.

Differences

- The large differences in per capita wealth contribute to differences in the generosity of social security programs.
- Some of the wealthy countries, such as Kuwait and Saudi Arabia, provide very generous benefits to retirees.
- Kuwait provides extremely generous benefits for its citizens. It provides monthly benefits equal to 65 percent of the last month's earnings (75 percent if military) plus 2 percent of the last month's earnings times years of service above 15 years, with a maximum of 95 percent (100 percent if military).
- Thus, someone working 30 years in the private sector would receive the maximum replacement rate of 95 percent of their last month's earnings. This benefit could be received at age 50 for those working continuously from age 20.

Coverage of Workers

- One reason for the relatively low coverage rates for workers in the region, compared to higher-income regions, is the Arab countries generally do not cover all workers within the statutory structure of the social security law.
- Most social security programs in the region cover public and formal private sector workers, but exclude other categories of workers. High rates of informality and high levels of unemployment contribute to low coverage of the population.

Excluded Workers

- Typically, among national workers the self-employed, casual, temporary and domestic workers are excluded.
- For example, in Bahrain household workers and some agricultural workers are excluded. Household workers are excluded in Qatar and Saudi Arabia. Self-employed workers are excluded in Iraq and Lebanon,
- By contrast, self-employed workers are included in Kuwait. Coverage is voluntary for self-employed workers in Oman and Saudi Arabia.
- Some countries, such as Egypt and Tunisia, include the self-employed and agricultural workers in their social security programs. Egypt has special systems for self-employed workers, casual workers and household workers. Tunisia has special systems for self-employed workers, agricultural workers, farmers, household workers, artists, certain categories of fishermen and low-income earners.

Coverage Rates for the Older Population

- In 2017, in the Arab countries 27.4 percent of the population above the retirement age was effectively covered by a social security program, compared to 22.7 percent for sub-Saharan Africa.
- However, that figure compares to the substantially higher figure of 47.0 percent for North Africa, and to an even higher figures of 67.9 percent for the world average.

Fragmentation

- Fragmentation is a feature for many of the social security programs, with different categories of workers in different programs.
- Often self-employed workers are in a separate program or are excluded. In Lebanon, teachers have their own program.
- Generally, government workers and the military are in separate programs which provide more generous benefits than for other groups.
- The military have their own program in Jordan, Qatar, Saudi Arabia and Yemen.

Conclusions

- This presentation has discussed two different issues.
- First, it discussed trust in social security systems.
- Second, it discussed social security systems in Arab countries.
- Many younger workers around the world express the opinion that they expect to receive nothing from social security.
- In Arab countries, because of cultural differences there are some similarities across the countries. All have traditional defined benefit social security programs.
- However, there are great differences in wealth across the countries, which are reflected in differences in the generosity of the programs.

THANK YOU...!

