



Article from

Pension Section News

Sept. 2016

Issue 90

Risk Strategies Pertaining to the Many and Diverse Risks Found in Retirement—More on Decumulation From Our Call for Essays

By John Cutler

As was reported in the last issue of the *Pension Section News*, in the fall of 2015 the Society of Actuaries (SOA) Committee on Post-Retirement Needs and Risks (CPRNR) issued a call for essays focused on three different areas. The three major subtopics were: (1) defined contribution plan risk management strategies; (2) decumulation strategies for retirement; and (3) long-term care financing.

In that last issue we had a variety of award-winning essays addressing these various problems. What was interesting, however, was how many focused on our second topic: decumulation. This issue can be complex because many households have their retirement resources in a variety of funds, some of which are tax-deferred and some of which are not. In addition, some resources may have guarantees embedded in them. Those with multiple sources of funds have choices with respect to which funds to draw down first.

Everyone needs to make decisions about what type of drawdown arrangement to implement. The drawdown decision is also interwoven with the Social Security claiming decision for some households, and with decisions relating to how much protection widows will have later in life. The question here is how to analyze these drawdown decisions and what methods are recommended for the use in drawing upon these various resources in retirement. Perspectives on these issues vary, and there are no generally accepted standards that apply to this issue.

The SOA is pleased to be able to bring you the following essays and interviews with the authors:

- "Decisions Misaligned With Priorities: The Non-Annuitization of Retirement Savings" by Paul J. Yakoboski

- "Decumulation Strategy for Retirees: Which Assets to Liquidate" by Charles S. Yanikoski
- "Decumulation for a New Generation" by Elizabeth Bauer
- "Multiple Objective Asset Allocation for Retirees Using Simulation" by Kailan Shang and Lingyan Jiang
- "Oh, No! Not Another Government Program" by Mark Shemtob

For the call for essays, see <https://www.soa.org/Research/Research-Opps/Call-For-Papers/research-2015-risk-strategies-retirement-essays.aspx> and for the earlier *Pension Section News* articles, see <http://pensionsectionnews.soa.org/?issueID=9&pageID=1> ■



John Cutler served as chairperson for the Project Oversight Group for the Diverse Risks' call for essays. He has been an active member of the Committee on Post-Retirement Needs and Risks for several years. He retired from the Office of Personal Management in 2015 and is now a Senior Fellow for the National Academy of Social Insurance as well as special advisor to the Women's Institute for a Secure Retirement (WISER). At OPM, he was actively involved with health and long-term care issues, and he is the architect of the Federal Long Term Care Insurance Program for federal employees.