

Retirement 20/20 – Call for Models for Public Pension Plans Overview

I. Overview

The [Retirement 20/20](#) initiative was created by the Society of Actuaries (SOA) more than ten years ago to find new retirement systems that better meet the needs of stakeholders than the existing defined benefit (DB)/defined contribution (DC) models. The initiative intended to generate a better understanding of how adequate and affordable retirement income can be generated in North America over the next century.

The first [Call for Models in 2009](#) was not intended to be limited to retirement plans sponsored by private sector employers as opposed to those sponsored by public employers. However, the submissions and the valuable information obtained from this initiative were arguably more applicable (at least in the near term) to private sector plans.

Many private sector employers have chosen to wind down existing DB plans in favor of DC plans. However, many public sector employers continue to offer DB plans to their employees. Much has been written recently about the sustainability of these plans.

Some argue that public DB plans are not funded sufficiently to reasonably guarantee that promised benefits will be paid to all members. Even with respect to well-funded plans, arguments are made that due to a combination of benefit levels, funding approaches, governance issues, legal constraints, and the maturing of these plans, etc., many U.S. public DB plans are not sustainable in the long run.

Given that millions of people are either receiving or expect to receive benefits from a public DB plan, intense focus needs to be placed on the state of these plans and the actuarial profession is uniquely capable of addressing the issues these plans face. The previously established framework of the Retirement 20/20 initiative is an appropriate vehicle for advancing this discussion and hopefully will lead to meaningful improvements.

Therefore, this Call for Models is limited to proposals on public sector pension plans only.

II. Call for Models

We are structuring this Call for Models somewhat differently than the prior one. The main reasons for this are 1) the potential risk of public DB plans defaulting on promised benefits without PBGC or other insurance-based protection, and 2) the impediments to “change” within the public sector.

For these reasons, we are asking for proposals that provide real world solutions that plan sponsors can use now, in full recognition of the public plan environment, to enhance the security of promised benefits and result in more sustainable benefit plans.

We will continue to use the Measurement Framework developed for the original Retirement 20/20 initiative and used in the previous Call for Models to help evaluate the proposals.

Due to the many variables that exist for public plans regarding applicable laws/statutes, participation in Social Security, funding sources, etc., the SOA recognizes that any one proposed model is unlikely to solve the existing problems of all public pension plans. Therefore, in addition to laying out proposed retirement plan specifications, we would like Entrants to specify in what space their model would be beneficial.

For example:

- State DB plans with state laws prohibiting the reduction of accrued benefits as well as future benefit accruals, or
- Municipal DB plans with legal protection of only accrued benefits; members do not receive social security benefits
- States with fixed-rate employer contributions

This is up to the Entrant, but we encourage models that would be applicable to a significant number of actual public sector plans.

As part of the proposal, the Entrant can provide arguments for the need to change existing laws and provide commentary on how that may be accomplished.

Submissions are encouraged to include the following items:

- 1) Steps to increase the security of promised benefits
- 2) Proposed benefit structure for future benefit accruals
- 3) Specific transition steps
- 4) Funding and investment strategies for sustaining the plan in the long term

III. Submission Incentives

Monetary Awards

The SOA Pension Section will award up to five \$10,000 USD prizes to the best qualified proposals that align most closely with the principles of *Retirement 20/20*, as illustrated in the updated Measurement Framework and the judging criteria. Additional details regarding the eligibility, proposal submission guidelines and judging criteria can be found in the Official Rules.

Publication & Presentation

It is also anticipated that the authors of the strongest entries will have an opportunity to present their ideas at an SOA conference.

In addition, we will feature selected proposals in a report on the call for models, including evaluations of the submissions using the Measurement Framework. These proposals may also be referred (with the author's consent) to the *North American Actuarial Journal* or other non-SOA publications. The Society of Actuaries reserves the right not to publish any proposals not meeting the criteria and standards set by the judging panel.

IV. Resources & Background

A significant number of materials from the original *Retirement 20/20* work in the 2007-2010 timeframe are available for submission applicants at <http://retirement2020.soa.org>. These materials include:

- Conference reports from 2006, 2007, 2008, and 2010 events

- Various summary articles and papers, including a paper written by SOA Senior Fellow, Emily Kessler that summarized the work of *Retirement 20/20* as of 2009. It is available at <http://retirement2020.soa.org/Files/2009-constucting-new-kessler.pdf>. The paper summarizes the principles of *Retirement 20/20* and puts them into a framework that may help Entrants understand the basic principles driving the preferences being expressed within *Retirement 20/20*.
- Drafts of completed Measurement Frameworks for sample DB and DC plans.

V. General Content Guidelines

We are seeking proposals that represent a range of perspectives and disciplines. As such, we are hoping to receive proposals from a diverse group of professionals including academic researchers, practitioners, plan sponsors, actuaries, analysts and other interested parties.

- The completeness and thoroughness of proposed solutions will be important; the following questions should be addressed in the proposal:
 - Who covers costs and in what amounts?
 - What is the role of each stakeholder (employees, employers, society and markets)?
 - How are risks allocated between various stakeholders?
 - How are investments handled and/or what new market instruments would be needed?
 - What happens during extreme events (e.g. market collapse, significant demographic shifts in covered plan participants)?
 - What is the governance structure for the system and how does the system deal with moral hazard risk?
 - What are the likely administrative costs and burdens?
 - How will the system be communicated to and understood by participants, particularly with respect to the role of choice and default options?
 - How does the system integrate with Tier I social insurance?
 - What is the transition process?
 - To the extent that the system does not comply with either the current Canadian or US regulatory framework, what are the key law changes needed to allow the plans to legally operate (Canadian Entrants need only consider one province of their choice and national law)? Please note that the section on regulatory framework should only consider in broad principles which laws should be changed and should not reference specific passages of legislation or statute.
- Proposals should include an executive summary.
- The proposals have no required minimum or maximum length; however, suggested length is no more than 40 pages. Proposals should include sufficient detail to understand system construction.

- Entrants should use the style guidelines for the North American Actuarial Journal with regard to proposal format <https://www.soa.org/Files/Pd/naajinstructionstoauthors.pdf>).

VI. Timeframes

Statements of Intent

A “statement of intent” outlining your intention to submit a proposal must be submitted to the SOA by September 30, 2017. Statements of intent should be sent to Jane Lesch at jlesch@soa.org or you can mail a copy to Society of Actuaries, ATTN: Jane Lesch, 475 N. Martingale Rd., Suite 600, Schaumburg, Illinois 60173 USA.

The statement of intent must include a one (1) page description of the system design; a brief biographical paragraph for the Entrant and any co-author(s); names, addresses, and email addresses for the Entrant and any co-author(s); whether the Entrant is entering on behalf of an organization; and whether any organization is or has provided financial backing in developing the Proposal. Statements of intent will be reviewed by SOA staff to ensure the proposed Proposal will meet the requirements of the Contest, and Entrants will be notified within two (2) weeks of the close of the Entry Period of any potential issues.

Final Submissions

All retirement system model proposals must be submitted in a complete format **no later than Jan. 31, 2018**.

Submissions that have a copyright must be accompanied by written permission to reprint in accordance with the Section 8(b) of the Official Rules.

Additional details regarding the eligibility, submission guidelines and judging criteria can be found in the Official Rules.

VII. Questions

Please direct questions regarding this call for models to:

- Andrew Peterson, SOA Staff Fellow – Retirement Systems
- ph: 847.706.3591
- f: 847.273.8591
- e-mail: apeterson@soa.org

Additional details: The Entry Period for a statement of intent opens at 12:01 AM CST on August 15, 2017 and closes on September 30, 2017 at 11:59 PM CDT. The Submission Period for proposals opens at 12:01 AM CST on August 15, 2017 closes at 11:59 PM CST on January 31, 2018. Void where prohibited. No purchase necessary. Other restrictions may apply. See [Official Rules](#) for eligibility, odds of winning, how to enter, and other details.

Resources:

[Measurement framework – Typical DC](#)

[Measurement framework – Typical DB](#)

[Retirement 20-20 measurement framework 2017](#)

[What has changed since the 2010 Retirement 20/20 Initiative Papers were submitted?](#)