



## REFERENCE LIST

### April — June 2012

#### **The 2012 Ageing Report**

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*European Commission – May 2012*

At the EU's Economic and Financial Affairs Council meeting on 15 May, EU ministers adopted and endorsed the 2012 Ageing Report: economic and budgetary projections for the 27 EU Member States (2010-2060) which shows a significant increase in the EU countries' age-related spending on pension, health and elder care due to an ageing population in Europe.

The report covers in-depth age related public expenditures in pensions, health care, long-term care, education and unemployment benefits. Among other things, it addresses public pensions spending which it projects to rise by 1.5% of GDP until 2060 in the EU. The Ministers confirmed their commitment to implement further reforms in notably pensions and raising retirement age.

[\(\[http://ec.europa.eu/news/economy/120515\\\_en.htm\]\(http://ec.europa.eu/news/economy/120515\_en.htm\)\)](http://ec.europa.eu/news/economy/120515_en.htm)

#### **Revised Social Security Projections**

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*Buffin Partners Inc - May 2012*

A summary and comment on the latest report on the US Social Security System.

[\(\[http://www.buffinpartners.com/Commentary\\\_2012\\\_05.pdf\]\(http://www.buffinpartners.com/Commentary\_2012\_05.pdf\)\)](http://www.buffinpartners.com/Commentary_2012_05.pdf)

#### **Social Security's Financial Outlook: The 2012 Update in Perspective**

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*by Alicia H. Munnell – Center for Retirement Research at Boston College - April 2012*

The *brief's* key findings are:

- Social Security's 75-year deficit is significantly higher than last year's projection: 2.67 percent of payroll versus 2.22 percent of payroll.
- This increase reflects the slow recovery from the recession and rising disability rolls, among other factors.
- The bottom line remains the same: Social Security faces a real, but manageable, shortfall and stabilizing the system's finances should be a high priority.

[http://crr.bc.edu/wp-content/uploads/2012/04/IB\\_12-9.pdf](http://crr.bc.edu/wp-content/uploads/2012/04/IB_12-9.pdf)

## **How Can Employers Encourage Young Workers to Save for Retirement?**

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*By Nicole V. Montgomery, Lisa R. Szykman, and Julie R. Agnew – Center for Retirement Research at Boston College - April 2012*

The *brief's* key findings are:

- One reason young workers don't save for retirement is that the event is so far off.
- An experiment to boost their saving tested different ads:
  - abstract or concrete wording ("why you should save more now" vs. "how you can save more now"); and
  - a short- or long-term savings goal ("how much to save from each paycheck" vs. "how much to save over your lifetime").
- The most effective ads paired abstract wording with a long-term goal and concrete wording with a short-term goal.
- Therefore, communications designed to spur saving by young workers should match the framing of the message to the time horizon of the savings milestone.

[http://crr.bc.edu/wp-content/uploads/2012/03/IB\\_12-7-508.pdf](http://crr.bc.edu/wp-content/uploads/2012/03/IB_12-7-508.pdf)

## **The Funding of State and Local Pensions: 2011-2015**

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*by Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz, Madeline Medenica, and Laura Quinby – Center for Retirement Research at Boston College - May 2012*

The *brief's* key findings are:

- During 2011, the funded status of public plans slipped from 76 percent to 75 percent.
- This decline reflected slow asset growth due to actuarial smoothing, which was partly mitigated by an unexpected reduction in liability growth.
- Going forward, the funded ratio is projected to remain steady next year and then gradually improve as the market meltdown is phased out of the calculations.

[http://crr.bc.edu/wp-content/uploads/2012/05/slp\\_24-508.pdf](http://crr.bc.edu/wp-content/uploads/2012/05/slp_24-508.pdf)

## **REVIEW OF THE SWEDISH NATIONAL PENSION FUNDS**

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*Severinson, C. and Stewart, F. (2012), OECD Working Papers on Finance, Insurance and Private Pensions, No. 17, OECD Publishing.*

The National Pension Funds are responsible for 12% of Sweden's state pension liabilities, and manage assets of around SEK 895 billion. Over the next thirty years, payments are likely to significantly exceed contributions, and by 2040 the size of the funds (AP1 to 4 and 6) is expected to have fallen to SEK 400 billion.

The OECD Review of the Swedish National Pension Funds analyses the strengths and weaknesses of the system and recommends how both structure and management could be improved.

<http://www.oecd.org/dataoecd/31/38/50192210.pdf>

## **Financial Sophistication in the Older Population**

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*Annamaria Lusardi, Olivia S. Mitchell, and Vilsa Curto - February 2012*

This paper examines data on financial sophistication among the U.S. older population, using a special-purpose module implemented in the Health and Retirement Study. We show that financial sophistication is deficient for older respondents (aged 55+). Specifically, many in this group lack a basic grasp of asset pricing, risk diversification, portfolio choice, and investment fees. Subpopulations with particular deficits include women, the least educated, persons over the age of 75, and non-Whites. In view of the fact that people are increasingly being asked to take on responsibility for their own retirement security, such lack of knowledge can have serious implications.

<http://www.pensionresearchcouncil.org/publications/document.php?file=993>

## Target-Date Funds in 401(k) Retirement Plans

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*Olivia S. Mitchell and Stephen P. Utkus*

Individual responsibility for portfolio construction is a central theme for defined contribution pensions, yet the rise of target-date funds is shifting investment decisions from workers back to employers. A complex choice architecture including automatic enrollment, reenrollment, and fund mapping, is increasing the number of participants defaulting into employer-selected target-date funds. At the same time, portfolios of non-defaulted participants undergo sizeable changes, with equity share ratios widening by over 40 percent points between younger/older participants. Among active decision-makers, these funds act as a form of implicit employer-provided lifecycle investment advice. More broadly, our findings highlight malleable preferences among retirement investors and a demand for default-based guidance or simplified advice for households facing complex choices.

<http://www.pensionresearchcouncil.org/publications/document.php?file=994>

## Participating Payout Life Annuities: Lessons from Germany

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*Raimond Maurer, Ralph Rogalla, and Ivonne Siegelin – May 2012*

This paper analyzes the regulatory framework of German immediate participating payout life annuities (PLAs), which offer guaranteed minimum benefits as well as participation in insurers' surpluses. Our particular focus lies on the mechanics of sharing surpluses between shareholders and policyholders. We show that the process of surplus determination, allocation, and distribution mostly follows transparent and clear rules, and that an insurance company's management has limited leeway with respect to discretionary decision making. Subsequently, we develop an Asset Liability Model for a German life insurer that offers PLAs. Based on this model, we run Monte Carlo simulations to evaluate benefit variability and insurer stability under stochastic mortality and capital market developments. Our results suggest that through PLAs guaranteed benefits can be provided with high credibility, while, at the same time, annuitants receive attractive Money's Worth Ratios. Moreover, we show that it might be difficult to offer a fixed benefit annuity providing the same lifetime utility as a PLA for the same premium and a comparably low insolvency risk. Overall, participating life annuity schemes may be an efficient way to deal with risk factors that are highly unpredictable and difficult to hedge over the long run, such as systematic mortality and investment risks.

<http://www.pensionresearchcouncil.org/publications/document.php?file=995>

## Statutory pensions in Finland – Long-term projections 2011

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Ismo Risku, Kalle Elo, Tapio Klaavo, Sergei Lahti, Hannu Sihvonen and Risto Vaittinen

The report presents the Finnish Centre for Pensions' long-term projections regarding the development of statutory pensions in 2011–2080. The main focus of the report is on calculations of earnings-related pensions. The report examines the development of pension expenditure and the average benefit level, as well as the financing of private-sector earnings-related pensions. The main results of the calculations depict the development in contributions and assets under the Employees Pension Act.

[http://www.etk.fi/en/service/home/770/publications?contentPath=en%2Fjulkaisut%2Fresearch\\_publication\\_s%2Freports%2Fstatutory\\_pensions\\_in\\_finland\\_long\\_term\\_projections\\_2011](http://www.etk.fi/en/service/home/770/publications?contentPath=en%2Fjulkaisut%2Fresearch_publication_s%2Freports%2Fstatutory_pensions_in_finland_long_term_projections_2011))

## Employers' Attitudes and Actions Towards the Extension of Working Lives in Europe

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*Wieteke Conen, Kène Henkens and Joop Schippers. Netspar - May 2012*

Purpose. Although policy makers have put a lot of effort in the promotion of older workers' labour force participation, quantitative empirical knowledge about employers' views towards extension of working lives is limited. The aim of this study is to improve our understanding of employers' attitudes and actions towards extension of working lives, by examining recruitment and retention behaviour towards older workers, employers' views on consequences of an ageing workforce, organisational policies, and what governments can do to extend working lives.

Design/methodology/approach. We analyse surveys administered to employers in Denmark, France, Germany, Italy, The Netherlands, Poland, Sweden and the United Kingdom in 2009.

Findings. A minority of employers have applied measures to recruit or retain older workers and employers rather retain than hire older workers. A considerable share of employers, though in different degrees in different European countries, associate the ageing of their staff with a growing gap between labour costs and productivity. Employers expecting a larger gap do not apply more organisational measures to either increase productivity or adjust the cost-productivity balance. Employers may think the cost-productivity issue is partly an issue for governments to solve; employers expecting a larger cost-productivity gap consider wage subsidies to be an effective measure to extend working lives.

<http://arno.uvt.nl/show.cgi?fid=122507>)

## **Mercer and CFO Magazine - Pension Risk Survey Report**

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Mercer has partnered with CFO magazine to conduct a survey of senior level finance executives' views on pension risk. The survey looks at changes plan sponsors have made over the past few years to manage risk, and at pension risk management strategies being considered for implementation in the near term.

The survey data comes from 192 senior finance executives representing US companies with annual revenues of at least \$500 million and with DB assets of \$100 million+, covering a range of industries.

[http://www.mercer.com/attachment.dyn?idContent=1439430&filePath=/attachments/English/CFO\\_Research\\_Mercer\\_PRM\\_121311\\_s.pdf](http://www.mercer.com/attachment.dyn?idContent=1439430&filePath=/attachments/English/CFO_Research_Mercer_PRM_121311_s.pdf)

## **LCP Pension Buy-ins, Buy-outs and Longevity Swaps 2012**

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*Lane Clark & Peacock LLP April 2012*

This is LCP's fifth report for finance directors, trustees and the other senior decision makers responsible for managing the costs and risks associated with pension plans. Our objective is to capture key developments and opportunities in the market for buy-ins, buy-outs, synthetic buy-ins and longevity swaps.

<http://www.lcp.uk.com/media/458733/lcp%20buy-out%20report%202012.pdf>