REFERENCE LIST

January 2013

Healthy, Wealthy and Not Retiring

January 8, 2013 – Financial Security Project at Boston College

Health, like wealth, is a critical variable in calculating one's retirement age. People retire at vastly different ages – a nine-year age difference exists between some rich and poor retirees.

(http://fsp.bc.edu/healthy-wealthy-and-not-retiring/)

Happy Retirement?

January 3, 2013 – Financial Security Project at Boston College

Many Americans are unprepared for retirement, yet they say that saving is their top financial priority. No better time for a New Year's resolution!

(http://fsp.bc.edu/happy-retirement/)

How Do Employers' 401(k) Mutual Fund Selections Affect Performance?

January 2013 - Center for Retirement Research at Boston College

The brief's key findings are:

•401(k) performance is affected by the decisions of plan administrators as well as participant choices.
•Administrators choose mutual funds that perform worse than comparable indexes but better than comparable, randomly selected funds.
•When making changes to a plan's fund offerings, administrators chase returns and do not improve performance.
•Participants also tend to chase returns through contribution changes and asset transfers, and their investment strategies add no value.

(http://crr.bc.edu/wp-content/uploads/2013/01/IB_13-1.pdf)

Sticky Ages: Why Is Age 65 Still a Retirement Peak?

January 2012 – Center for Retirement Research at Boston College

When Social Security's Full Retirement Age (FRA) increased to age 66 for recent retirees, the peak retirement age increased with it. However, a large share of people continues to claim their Social Security benefits at age 65. This paper explores two potential explanations for the "stickiness" of age 65 as a claiming age: Medicare eligibility and workers' lack of knowledge about their future Social Security benefits. First, we analyze the impact of Medicare eligibility by comparing two groups – one has an FRA of exactly 65; the other, between age 65 and 2 months and age 66. We find that the group with later FRAs who do not have access to retiree health benefits through their employer are more likely to claim Social Security at age 65. We interpret this finding as evidence that Medicare eligibility persuades more people to retire, because they can begin receiving federal health coverage. Individuals without access to retiree health insurance at work are 7.5 percentage points more likely to retire soon after their 65th birthdays and are 5.8 percentage points less likely to delay retirement until the FRA than those with that insurance. This result fits into extensive research showing that access to health insurance is an important component of the retirement decision. On the question of whether misinformation about Social Security benefits may drive individuals to claim at age 65, we find that some individuals are unable to accurately forecast their retirement benefits. However, our analysis suggests that there is no relationship between this confusion and the age 65 peak for claiming Social Security.

(http://crr.bc.edu/wp-content/uploads/2013/01/wp_2013-2.pdf)

Sustainability of Pension Systems in Europe – the demographic challenge

July 2012- European Actuarial Consultative Group

Most countries in the European Union (EU) are experiencing serious challenges to their pension systems, arising in large measure from the demographic ageing of the population.
Populations are ageing because of relatively low birth rates and rapidly increasing expectation of life, particularly at older ages. The impact of ageing on national social security schemes is a matter of considerable concern in terms of financial sustainability, but sustainability in financial terms has to be balanced with adequacy of pension benefits and with political sustainability.

One aspect of addressing financial sustainability may be the need to rise retirement age. However, to maintain the old-age dependency ration in 2050 at levels similar to those in 2010 is likely to require the retirement age to rise by as much as 10 years in some countries. To keep the expectation of life at retirement age constant could require the age at retirement to increase by over 1.3 years per decade for males and almost 1.2 years per decade for females.

Different analyses have been published which seek to identify which countries have the more sustainable systems, using a variety of different criteria. Views on what is sustainable (and what is adequate) will inevitably vary from member state to member state, reflecting culture and current structures. This paper reports on some significant components of social security reform which may be considered to have contributed to more sustainable systems.

(http://www.gcactuaries.org/documents/Sustainability_pension_system_%20final_020712%20270612_web.pdf)

Women Still Face Challenges

July 2012- U.S. Government Accountability Office

This report from the Government Accountability Office (GAO Report GAO-12-699, July 2012) provides an up-to-date review of retirement security in the United States, and provides data comparing the situation for men and women. The report documents the shift from defined-benefit (DB) to defined-contribution (DC) plans. It reports that working women's access to employer-sponsored pensions has improved relative to men's, but also documents that there are still gaps. It provides DC plan access and participation data by race and gender. The report also looks at the composition of household income for Americans over age 65 by gender.

(http://www.gao.gov/products/GAO-12-699)

Rethinking Optimal Wealth Accumulation and Decumulation Strategies in the Wake of the Financial Crisis

January 2012 – Center for Retirement Research at Boston College

A substantial literature has developed models of optimal consumption and asset allocation based on the assumption that stocks and bonds have fixed returns, with normal independent, identically distributed disturbances. Households optimally rebalance from stocks to bonds as they age, reflecting the declining proportion of their wealth that is represented by low-risk human capital.
Using annual return data for large-capitalization stocks and corporate bonds covering the period 1926 through 2011, the paper calculates optimal consumption and asset allocation over the life cycle for a household with Social Security benefits and uncertain labor market earnings. It considers the alternative assumptions that stock and bond returns 1) are normally distributed, 2) follow a vector autoregressive path (VAR) with normally distributed disturbances, and 3) follow a VAR with disturbances drawn from a stable distribution. The assumptions have a significant effect on asset allocation. At age 65, the optimal stock allocation is 52 percent, 68 percent, and 55 percent, respectively, for the three alternatives. When returns follow a VAR with stable disturbances, a household with a constant relative risk aversion assuming a coefficient of risk aversion of 2 would require a 1 percent increase in lifetime consumption to compensate it for assuming that the disturbances to returns follow a normal distribution. Households with a coefficient of risk aversion of 5 would require less than 0.1 percent, reflecting their lower accumulation of wealth and smaller stock allocations.

(http://crr.bc.edu/wp-content/uploads/2013/01/wp_2013-1.pdf)

The rich are different

December 2012- The Economist

Live longer, work longer. As the developed world struggles with the cost of its greying population, a standard response has been to increase the state retirement age. But is such a change fair? Across the developed world, better-off people in the higher social classes tend to live longer than the poor. This gap has tended to widen, rather than shrink, in recent years. The result is that the poor get much less time to enjoy their benefits than the better-off.

(http://www.economist.com/news/finance-and-economics/21568745-longevity-and-pension-age-rich-are-different?frsc=dg|a)

Longer life, in better health? (Longevity Bulletin)

November 2012- Institute and Faculty of Actuaries

This Bulletin focuses on the important issue of health expectancy, a natural extension of life expectancy – defined as the remaining years at a particular age spent healthy. The adoption of Healthy Life Years (HLY) as the first EU Structural Indicator on health has given impetus to research on health expectancies.
This issue summarizes the main statistical sources and draws some conclusions relevant to the key questions for governments and policymakers – in particular, whether the extra years of life which populations are now experiencing are predominantly healthy ones.

(https://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&ved=0CDcQFjAA&url=http%3A%2F%2Fwww.actuaries.org.uk%2Fsites%2Fall%2Ffiles%2Fdocuments%2Fpdf%2Flongevitybulletin04201211.pdf&ei=NK7RUNTO8W40QXam4HYCg&usg=AFQjCNGAzO0b6A2LQFPE8S0so0zyVXXwWQ&sig2=oRIRFcKp3t0AywgMgaqwTQ&bvm=bv.1355534169,d.d2k)

Pensions in Europe

November 2011- AEGON Global Pensions

The paper 'Pensions in Europe - how multinational companies are preparing their pensions in Europe for the future':

- Contains quotes and insights from leading multinational companies, international pension consultants, representatives of the European Commission and national supervisory bodies;
- Gives broad analysis of the current state of European pensions;
- Identifies four company categories on the basis of their approach to pensions, management style and company culture;
- Reveals how the parties involved view the future of European pensions;
- Provides guidelines on how to take advantage of pension opportunities in Europe.

(http://www.aegonglobalpensions.com/Documents/aegon-global-pensions-com/Publications/Research-papers/White-paper-Pensions%20in%20Europe%20%E2%80%93%20how%20multinational%20companies%20are%20preparing%20their%20pensions%20in%20Europe%20for%20the%20future.pdf)

Shifting Income Sources of the Aged

November 2012- U.S. Social Security Administration- Office of Retirement and Disability

This article discusses the implications of pension trends for the measurement of retirement income. Traditional DB pensions, once a major source of retirement income, are increasingly giving way to tax-qualified DC plans and individual retirement accounts (IRAs). This trend is likely to continue among future retirees who have worked in the private sector. We conclude that the Census Bureau's Current Population Survey (CPS), one of the primary sources of income data, greatly underreports distributions from DC plans and IRAs, posing an increasing problem for measuring retirement income in the future. The CPS and other data sources need to revise their measures of retirement income to account for periodic (irregular) distributions from DC plans and IRAs.

(http://www.ssa.gov/policy/docs/ssb/v72n3/v72n3p59.html)