



REFERENCE LIST — July 2009

Social security

The USA Social Security Administration has just put out a pamphlet, “**The future of social security**”, setting out the latest valuation results – see <http://www.ssa.gov/pubs/10055.pdf>

Pension systems reform

“**What is it that makes the Swiss annuitize? A description of the Swiss retirement system**”, Benjamin Avanzi (2009), UNSW Australian School of Business Research Paper No. 2009ACTL06, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1407370

Summary: The Swiss model of retirement savings and benefits distinguishes itself by several aspects. The system is successful in encouraging substantial savings, that are exonerated from tax and guaranteed. The market risk is not transferred to the individuals. It is extraordinary that more than half of the Swiss who retire choose to annuitize their capital at retirement. In addition, not only does the retirement scheme offers annuity benefits in case of retirement, but it also offers annuity benefits in case of disability and death, and this in a coherent, coordinated way. It is the main area of practice of actuaries in Switzerland. In this paper, we describe the Swiss social security system with an emphasis on retirement benefits, and give some insights about what in the Swiss model could explain why the so-called "annuity puzzle" is not observed. We also discuss some of the main issues the Swiss pensions system is currently facing.

“**Is Latin America retreating from individual retirement accounts?**”, Fabio Bertranou, Esteban Calvo, and Evelina Bertranou (2009), CRR Boston Issue in Brief 9-14, http://crr.bc.edu/images/stories/Briefs/ib_9-14.pdf

Summary: Many Latin American countries adopted individual retirement accounts (IRAs) to supplement or replace traditional social security systems. Recently, a number of these countries have enacted reforms to better balance individual saving and social risks. The new reforms generally aim to improve - not abandon - IRAs and, at the same time, to provide more adequate protection against old-age poverty.

Retirement savings

“**The impact of a phased retirement program: A case study**”, Marta Lachowska, Annika Sundén, and Eskil Wadensjö (2009), IZA Bonn, Discussion Paper No. 4284, <http://ftp.iza.org/dp4284.pdf>

Summary: Phased retirement has been discussed as a means for increasing labour supply for people of older active age. The idea is that instead of leaving a full-time job early for full-time retirement, an employee should reduce the working time either in the same job or by changing jobs, and stay on in the labour market. In this paper we analyze the factors that influence the decision to take up a part-time pension and continue working at the same work place at reduced hours. We do this by using a unique data set from one employer in the governmental sector in Sweden, Stockholm University. The pension scheme is a special part-time pension scheme introduced for state employees in 2003. Employees 61 years and

older can apply for a part-time pension up to the age of 65. The employers decide if they will accept or reject the application. They may also encourage employees to apply or discourage them from doing so. We have a data set covering all employees of the age groups who are eligible and a rich data set with information on the employees and also on the units (departments) who in practice decide if an application should be accepted or not. We find that both the effects on pension wealth of taking a part-time pension, and the economic situation of the department are important for the propensity for becoming a part-time pensioner. Also individual characteristics such as gender, age, earnings and occupation are important.

Longevity and life expectancy

Further to last month's reference to the UK **Continuous Mortality Investigation** (CMI) publication of Working Paper 38 plus the prototype version of the Mortality Projections Model, Working Paper 39 has now been released. This provides further detail on the Working Party's research and analysis. The URL is: http://www.actuaries.org.uk/knowledge/cmi/cmi_wp/wp38

“Mortality modelling and forecasting: a review of methods”, H Booth and L Tickle (2009), Annals of Actuarial Science Vol 3, Parts 1 & 2, Institute and Faculty of Actuaries.

Summary: this article provides probably the most complete review of the subject one will find – including 10 pages of bibliography. Unfortunately there isn't a web version available yet to those who are not members of the UK Actuarial Profession, but get a friend who is a Faculty or Institute member to make a copy for you or e-mail it to you

“Time series modelling of Gompertz-Makeham mortality curves: historical analysis, forecasting and life insurance applications” O Lockwood

Summary: This dissertation for subject SA0 of the examinations of the UK Actuarial Profession also addresses the problem of forecasting mortality rates in the presence of cohort effects, using time series models to represent the behaviour over time of Gompertz-Makeham parameters of fitted mortality curves. http://www.actuaries.org.uk/_data/assets/pdf_file/0007/154861/Time_series_modelling_of_Gompertz-Makeham.pdf

Other

The University of New South Wales, Sydney, recently hosted the 17th Australian Superannuation Research Colloquium. A number of papers were presented that may be of interest; for example the topic addressed in the Avanzi paper cited above was covered in a joint paper by Benjamin Avanzi and Sachi Purcal. At the time of writing papers are expected to be posted on the website around 10 August. Check

http://www.business.unsw.edu.au/nps/servlet/portalservice?GI_ID=System.LoggedOutInheritableArea&maxWnd=_ResearchCentre_CPS_Conferences

As a quick outline of just some of the content, there are papers on means testing – “An analysis of means-tested social pensions”, Cagri Kumru and John Piggott, and “Trade off in means tested pension design”, Chung Tran and Alan Woodland. Two papers from Australian Treasury officials gave insights into the impact of tax concessions in the Australian pension system, “Assessing the equity of Australia's retirement income system”, George Rothman, and “Projecting the distributions of certain superannuation tax expenditures”, David Tellis.

Bruce Bradbury addressed pension adequacy in “The relative need of single and couple aged pensioners”. Hazel Bateman and Susan Thorp updated their work on investigating attitudes to risk in “Retirement investor risk tolerance when risk is range: experimental survey evidence from tranquil and crisis periods”.

Longevity was covered in a paper presented by Enrico Biffis, co-authored by David Blake, titled “Informed intermediation of longevity exposures” focused on the UK pensions buy-out market. Carolyn Njenga and Michael Sherris presented work using principal components analysis in “Longevity risk and the econometric analysis of mortality trends and volatility”.

A regulators view on assessing investment performance was given in “Comparing investment performances of pension or mutual fund managers” by Wilson Sy of the Australian prudential regulator, APRA. Two other APRA staff, Belinda Tracey and Katrina Ellis, presented “An Australian case study: does fund attrition represent market efficiency?”