REFERENCE LIST

May 2014

Retirement Research Consortium Annual Meeting: August 7-8, 2014

May 2014 – Center for Retirement Research at Boston College

The 16th annual meeting of the Retirement Research Consortium will take place at the National Press Club in Washington, DC on August 7-8, 2014. The event is free of charge, but registration is required.

View the agenda and register online in the link below:

(http://crr.bc.edu/about-us/events/2014-retirement-research-consortium-meeting/)

2013 Risks and Process of Retirement Survey Report

May-2013 Society of Actuaries

This report presents an overview of findings and commentary on the survey as well as information from a series of focus groups conducted last year that explored related issues.
The remaining three upcoming highlights reports from the survey will cover:

- A more detailed examination of personal risk management issues
- The phases of retirement.
- Special issues for women.

Below is the link to the report:

(http://www..soa.org/Files/Research/research-2014-retire-survey-findings.pdf)

Pension Section News

May-2013 Society of Actuaries

Pension Section News is intended as a medium for the timely exchange of ideas and information of interest to pension actuaries.

(http://www.soa.org/news-and-publications/newsletters/pension/pub-pension-details.aspx)

COLA Cuts in State/Local Pensions

May 2014 – Center for Retirement Research at Boston College

The *brief's* key findings are:

- Since the financial crisis, 17 states have reduced, suspended, or eliminated cost-of-living adjustments (COLAs) for public employee pensions.
- This response was surprising as current employees and retirees tend to be legally shielded from benefit cuts.
- But the COLA cuts have largely been upheld in the courts under the rationale that - unlike core benefits - they are not part of a contractual right.
- In short, defined benefit promises in the public sector are not as secure as many thought.

(http://crr.bc.edu/briefs/cola-cuts-in-statelocal-pensions/)

What We Know About Health Reform in Massachusetts

May 2014 – Center for Retirement Research at Boston College

The *brief's* key findings are:

- Numerous studies have examined the impact of Massachusetts' landmark 2006 health care reform, the basis for the national Affordable Care Act.
- The results suggest that the Massachusetts reform has largely succeeded by:
    - Reducing uninsurance rates;
    - Improving health care access and health outcomes; and
    - Inducing more firms to offer coverage, without raising unemployment.
- At the same time, improving access to non-employer coverage may have reduced labor force participation for men age 55-64.
- Finally, while health care cost growth has slowed in recent years, cost control remains a challenge.

(http://crr.bc.edu/briefs/what-we-know-about-health-reform-in-massachusetts/)

On the Disclosure of the Costs of Investment Management

May-2013 Pensions Institute

This paper argues that no good reasons have been put forward for why all the costs of investment management, both visible and hidden, should not ultimately be fully disclosed. They are after all genuine costs borne by the investor. Furthermore, recent studies have shown that hidden costs are at least as high as visible costs, if not much higher. Full transparency could be introduced in stages.

(http://www.pensions-institute.org/workingpapers/wp1407.pdf)

A Parsimonious Approach to Stochastic Mortality Modelling with Dependent Residuals

May-2013 Pensions Institute

A standard approach to the fitting of stochastic mortality models is to maximize a likelihood function underpinned by an assumption that deaths follow a conditionally independent Poisson distribution. This, in turn, has led researchers to develop increasingly complex models in an effort to improve in-sample explanatory power. This paper, using the Cairns-Blake- Dowd (CBD) model as an example, proposes an alternative framework that models residuals as dependent rather than conditionally independent random variables. The extension introduces short-term dependencies between adjacent cells of the population that, amongst other things, can be structured to capture cohort effects in a parsimonious and transparent manner. Using a Bayesian framework, the posterior distribution of the resulting hierarchical model is considered in order to explore the extent of parameter uncertainty. Samples from the posterior predictive distribution are used to project mortality, and the outcomes are compared to the Poisson maximum likelihood results of the original CBD model and one of its cohort-enhanced versions, model M7. The resulting model yields predictive distributions of mortality rates with greater spread compared to its two competitors, especially as the projection horizon prolongs. Those increased levels of uncertainty are then inherited by mortality related indices and metrics.

(http://www.pensions-institute.org/workingpapers/wp1406.pdf)

Why Don't Lower-Income Individuals Have Pensions?

April 2014 – Center for Retirement Research at Boston College

The brief's key findings are:

- Obtaining an employer pension involves four steps: 1) having a job; 2) working for a firm with plans; 3) being eligible for the plan; and 4) taking up the plan.
- For lower-income individuals, the weakest links in this chain are a lack of employment and employment with firms that do not offer a plan.
- Take-up rates are less of a factor, but will become increasingly important as voluntary 401(k)'s continue to replace mandatory defined benefit plans.
- The most effective policy solution for boosting pension participation would be to provide all workers with access to a plan and automatically enroll them.

(http://crr.bc.edu/briefs/why-don%E2%80%99t-lower-income-individuals-have-pensions/)

Marching to Retirement without a Plan

April 2014 – Center for Retirement Research at Boston College

This article report the estimates of how many Americans are covered at work with several data sources as the federal government's survey of employers, the National Compensation Survey. This sense also shows that only about half of all U.S. workers in the private sector participate in retirement saving plans.

(http://squaredawayblog.bc.edu/squared-away/marching-to-retirement-without-a-plan/)

Defined Contribution Plans in the Public Sector: An Update

April 2014 – Center for Retirement Research at Boston College

The brief's key findings are:

- Although the introduction of defined contribution plans by some states has received considerable press attention, activity to date has been modest.
- Moreover, most recent shifts involve either hybrid plans or cash balance plans, rather than stand-alone defined contribution plans.
- The changes appear driven by a desire to avoid future unfunded liabilities, to reduce investment and mortality risk, and to help short-tenure workers.
- Such changes transfer risk to participants but, if the new plans enhance the likelihood of responsible funding, they could also offer some increased security.

(http://crr.bc.edu/briefs/defined-contribution-plans-in-the-public-sector-an-update/)

Is Pension Coverage a Problem in the Private Sector?

April 2014 – Center for Retirement Research at Boston College

The brief's key findings are:

- Commentators question whether pension coverage is a serious problem, indicating that 80 percent have access to a plan.
- But this number refers to access – not participation – and to full-time workers in both the public and private sectors.
- A review of four household surveys and one employer survey finds that only about half of all private workers (age 25-64) are participating in a plan.
- So, yes, coverage remains a serious problem.

(http://crr.bc.edu/briefs/is-pension-coverage-a-problem-in-the-private-sector/)

Financial Knowledge and 401(k) Investment Performance

March 2014 – The Pension Research Council

Using a unique new dataset linking administrative data on investment performance and financial knowledge, this paper examine whether investors who are more financially knowledgeable earn more on their retirement plan investments, compared to their less sophisticated counterparts. It find that risk-adjustable annual expected returns are 130 basis points higher for the most financially knowledgeable employees, and those scoring higher on our Financial Knowledge Index have slightly more volatile portfolios while they do no better diversifying their portfolios than their peers. Overall, financial knowledge does appear to help people invest more profitably; this may provide a rationale for efforts to enhance financial knowledge in the population at large.

(www.pensionresearchcouncil.org/publications/document.php?file?1185)

Borrowing from the Future: 401(k) Plan Loans and Loan Defaults

January 2013 – Center for Retirement Research at Boston College

Most active 401(k) plan participants have the option of borrowing from their retirement accounts, and nearly 40 percent do so over a five-year period. This shows that employers' loan rules have a strong endorsement effect on borrowing patterns; that is, in plans allowing multiple loans, participants are more likely to borrow and take out larger loans. While the liquidity-constrained are most likely to borrow, better-off employees take out larger loans when they do borrow. It also provides a new estimate of loan default "leakage" at $6 billion annually. The results show that defined contribution retirement plans, while designed mainly to support old-age financial security, include important features for financing current consumption.

(http://www.pensionresearchcouncil.org/publications/document.php?file=1167)

Impact of the Great Recession on Retirement Trends in Industrialized Countries

December 2013 – Center for Retirement Research at Boston College

The Great Recession had a large impact on unemployment rates and growth in wealthy industrial countries. When the recession began most rich countries were experiencing an increase in labor force participation rates after age 60. This paper examines whether the downturn slowed or reversed the trend toward higher old-age participation rates. Uses straightforward time series analysis to test for a break in labor force trends after 2007. The results indicate that the average rate of increase in labor force participation slowed in only a handful of countries. Averaging across all 20 countries in the sample, it finds that the average pace of labor force participation increase was faster after 2007 than before. Countries that experienced unusually severe downturns represent exception to this generalization. In most countries, however, the trend toward later retirement not only continued, it accelerated.

(http://crr.bc.edu/working-papers/impact-of-the-great-recession-on-retirement-trends-in-industrialized-countries/)

Does Household Debt Influence the Labor Supply and Benefit Claiming Decisions of Older Americans?

December 2013 – Center for Retirement Research at Boston College

Americans' indebtedness has increased dramatically since the 1980s – a trend likely to have important implications for retirement security. This study finds that older adults with debt are 8 percentage points more likely to work and 2 percentage points less likely to receive Social Security benefits than those without debt. Not only does the presence of debt influence older adults' behavior, but so do the amount and type of debt – particularly outstanding mortgages. Increasingly, retirement security will depend on having enough income and assets to pay for basic living expenses and to service debt.

(http://crr.bc.edu/working-papers/does-household-debt-influence-the-labor-supply-and-benefit-claiming-decisions-of-older-americans-2/)

How Do Financial Resources Affect the Timing of Retirement After a Job Separation?

December 2013 – Center for Retirement Research at Boston College

This project uses the Survey of Income and Program Participation to examine the decision to retire after job separation among the increasing number of older individuals who leave a job between 55 and 70, and how this decision varies by labor market conditions and the resources available to the unemployed. Among individuals whose jobless spells end in retirement, most do so within a year after separation. The availability of resources like Social Security retirement benefits, high net worth, and defined benefit pensions appear to encourage more rapid labor force exit and retirement, rather than supporting job seekers during a long search. Surprisingly, retirement is only modestly more likely when the unemployment rate is high, and a greater duration of unemployment insurance benefits has little effect on retirement timing. Poor health and work-limiting disabilities are also associated with more rapid labor force exit and retirement. These results suggest little tolerance for ling job searches – regardless of labor market prospects – and indicate that those who can afford to retire will do so rather quickly.

(http://crr.bc.edu/working-papers/point-of-no-return-how-do-financial-resources-affect-the-timing-of-retirement-after-a-job-separation-2/)