REFERENCE LIST
November 2016

Cognitive Aging: A Primer

November 2016- Center for Retirement Research at Boston College

The *brief's* key findings are:

- A growing body of research shows that cognitive aging reduces the brain's processing ability, but also increases its stock of useful knowledge.
- On balance, most workers are able to stay productive through their 50s and 60s and retain the capacity to manage their finances once they retire.
- Some people, however, are vulnerable to declining performance in the workplace or to making poor financial decisions.

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Removing the Legal Impediments to Offering Lifetime Annuities in Pension Plans

November 2016- The Pension Research Council

Longevity risk--the risk of outliving one's retirement savings--is probably the greatest risk facing current and future retirees in the United States. At present, for example, a 65-year-old man has a 50 percent chance of living to age 82 and a 20 percent chance of living to age 89, and a 65-year-old woman has a 50 percent chance of living to age 85 and a 20 percent chance of living to age 92.

One of the best ways to protect against longevity risk is by securing a stream of lifetime income with a traditional defined benefit pension plan or a lifetime annuity. Over the years, however, there has been a decided shift away from traditional pensions and towards defined contribution plans that typically distribute benefits in the form of lump sum distributions rather than as lifetime annuities, and people rarely buy annuities in the retail annuity market.

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Older Women´s Labor Market Attachment, Retirement Planning, and Household Debt

November 2016- The Pension Research Council

The goal of this paper is to ascertain whether older women's current and anticipated future labor force patterns has changed over time, and if so, to evaluate the factors associated with longer work lives and plans to continue work at older ages. Using data from both the Health and Retirement Study (HRS) and the National Financial Capability Study (NFCS), we show that older women's current and intended future labor force attachment patterns are changing over time. Specifically, compared to our HRS baseline surveyed in 1992, more recent cohorts of women in their 50's and 60s's are more likely to plan to work longer. When we explore the reasons for delayed retirement among older women, factors include education, more marital disruption, and fewer children than prior cohorts. But household finances also play a key role, in that older women today have more debt than previously and are more financially fragile than in the past. The NFCS data show that factors associated with retirement planning include having more education and greater financial literacy. Those who report excessive amounts of debt and are financially fragile are the least financial literate, had more dependent children, and experienced income shocks.

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Pension Risk Transfers on the Rise

November 2016- Plansponsor

Global consulting firm Mercer discovered some new trends in the world of pension de-risking. Pension-risk management is becoming a major concern for plan sponsors as buyouts rise at an alarming rate, according to research by global consulting firm Mercer.

"The robust demand for buyouts in the United States this year has exceeded our expectations. In spite of the prolonged low interest rate environment, we are seeing many companies looking to transfer pension risk," says Lynn Esenwine, partner at Mercer.

The company finds that plan sponsors are executing buyouts in a shorter time frame and in a more competitive pricing environment. Its research indicates that volatile financial markets may open windows of opportunity. For example, a U.K.-based plan sponsor was offered a 10% discount by a larger insurer if the sponsor could transact within two weeks.

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Financial Distress is Set Early in Life

November 2016- Center for Retirement Research at Boston College

Young adulthood is the staging ground for financial success later in life, and today the stakes are higher than they've ever been. Young adults are managing the burden of paying back student loans or feeling an urgency to save – and many are trying to do both. According to a study linking economics and psychology, what most strongly separates young adults who start out on the right foot from those already experiencing financial distress is whether they are conscientious or neurotic individuals. University of Illinois researchers followed more than 13,000 teenagers and young adults between 1994 and 2008 in the National Longitudinal Study of Adolescent to Adult Health. The survey asked questions about both their psychology and finances. The six measures of financial distress in this study were determined by survey questions such as whether the respondents were keeping up with their rent and utility bills, whether they were worried about having enough food, and whether their net worth was positive or negative.

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Calculating Expected Social Security Benefits by Race, Education, and Claiming Age

November 2016- Center for Retirement Research at Boston College

The option to claim Social Security before the full retirement age (FRA) has been around for over 50 years. But claiming benefits early has an inherent trade-off: more years of income are received in exchange for an actuarially reduced monthly benefit. The actuarial reduction is designed to be "fair" for the average worker in that, regardless of the age at which a person claims, he can expect to receive the same expected present value (EPV) of his lifetime benefits.

This paper found that:

- Non-Hispanic men, both black and white, who do not hold a college degree maximize their EPV of benefits by claiming before the full retirement age, especially using a 3-percent interest rate in the EPV calculation.
- On the other hand, white men with a college degree and white women with at least a high school degree maximize the EPV of their benefits when claiming after their FRAs.
- Within some groups, delayed claiming can result in a substantially higher EPV than early claiming, given today's low interest rates. For white female college graduates, the maximum EPV occurs at age 70 and is 16 percent higher than the EPV at 62, assuming an interest rate of 1 percent.

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Draft of German Pension Reform Proposes Plans Without Guarantees

November 2016- Investment and Pensions Europe

A copy of a highly anticipated draft of a new law aiming to "strengthen occupational pensions" in Germany is in the public domain. For several months now, experts in Germany have debated leaked bits and pieces of reform proposals.

A draft of the proposed law dated 25 October is available on a social policy portal (in German) run by Johannes Steffen, social policy expert and adviser.

With the new law, the government wants to lay the groundwork for industry-wide pension plans with more flexible pension promises.

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Do Late-Career Wages Boost Social Security More for Women that Men?

November 2016- Center for Retirement Research at Boston College

Any worker who delays claiming Social Security receives a larger monthly benefit due to the actuarial adjustment. This study uses the Health and Retirement Study linked to earnings records to quantify the impact of women's late-career earnings on Social Security benefits relative to men's.

The paper found that:

- Most workers of both genders are able to raise their Social Security retirement benefits at least a little, but women do so in large part by replacing zero-earning years: nearly half of women had a year with zero earnings in their top 35 years of earnings.
- The average gain in Social Security retirement benefits from working one additional year raises women's monthly benefits by 8.6 percent – 7 percent is from the actuarial adjustment and an additional 1.6 percent is from late-career earnings. Men's benefits increase by less – 7.8 percent – because they have fewer low-earning years to replace.

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The Case For Phased Retirement

November 2016- Employee Benefit Research Institute

In the same way that flexibility has come to the workplace — where, when and how we work — so, too, has arrived the age of the tailor-made retirement. Phased retirements, bridge jobs, "un-retirement" and second and third acts have caught on. Workers are demanding it, and firms have good cause to accommodate the idea that work does not one day simply stop.

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On-the-Job Healthcare Costs More

November 2016- Center for Retirement Research at Boston College

We've passed a milestone: workers typically spend more than 10 percent of their incomes for their employer health coverage. A decade ago, they spent 6.5 percent on health costs.

One reason for the rising cost burden is the growing prevalence of high-deductible insurance plans, and, within these plans, the deductibles themselves are increasing. Although premium hikes in employer plans have slowed in the past five years, they are also still going up. The nation's aging work force could be another indirect pressure on costs.

Workers' incomes have also been going up, but growth remained sluggish over the past decade and "have not kept pace" with employer health costs, the Commonwealth Fund reported.

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Saving Early and Consistently Helps Retirement Confidence

November 2016- Plansponsor

A survey found two-thirds of those who save consistently think they are saving enough to provide themselves a comfortable retirement.

The Certified Financial Planner (CFP) Board of Standards surveyed American savers and found that those who have taken a slow and steady approach to saving throughout their lifetime are in the best position when it comes to retirement. The CFP Board identifies this 22% of the people it surveyed as "Confident Savers." They have a median income range between $50,000 and $100,000, have fewer children living at home, participate in their employer's retirement plan and expect Social Security will be an important source of income in their retirement years. They are also twice as likely as other groups to meet with a financial planner.

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UPCOMING EVENTS

PBSS/IACA Colloquium Cancun 2017

Date: 4-7 June, 2017. Cancun, Mexico

Come join your friends and peers from around the world for the **Pension Benefits and Social Security (PBSS) Colloquium**, to be held on June 4th-7th in the Caribbean paradise of Cancun in the CasaMagna Marriott Cancun Resort. Actuaries and non-actuaries from all disciplines involved with technical and social aspects of Pensions and Social Security are encouraged to participate.

The PBSS 2017 Scientific Committee is assembling a preliminary agenda with key issues facing today's public and private concerns on the sustainability of pensions and social security.

For More Information

31st International Congress of Actuaries (ICA Berlin 2018)

Date: 4-8 June, 2018. Berlin, Germany

Like no other metropolis in Europe, Germany's capital Berlin symbolizes the breakdown of old structures and the opening of a new era of understanding and cooperation. The unique atmosphere of a city that has re-invented itself in recent decades, invites you to be an integral part of an inspiring and vibrant International Congress of Actuaries in 2018. Feel the spirit of colleagues working together at the event with no cultural or geographical barriers. Experience new concepts for the exchange of knowledge and ideas offered by the technical capabilities of the 21st century – anytime and anywhere.

For More Information