

*Designing the Characteristics of a
21st Century Retirement System*

Actuaries
Risk is Opportunity.™

Welcome!

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SOCIETY OF ACTUARIES

Retirement
20/20

Actuaries
Risk is Opportunity.™

Welcome

- Overview of Conference
- Retirement 20/20 Update
- This Conference: Characteristics
- Thank you!



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Conference Format

- Paper presentation and panel discussion
- Examining potential characteristics
 - Changing signals
 - Default distributions
 - How we use the markets (completion)
 - Self-adjusting mechanisms
- No discussants – your role!



Overview

- Today
 - Changing Signals: Social Insurance & Second Tier Systems
 - Default Distributions
 - Completing Markets
- Tomorrow
 - Self-Adjusting Mechanisms
 - Lunch: Lessons from Behavioral Finance
- Detailed schedule in binder



Retirement 20/20 Update

- Retirement 20/20 is our initiative to rethink retirement systems
- What's possible?
 - Go beyond the limitations of today's tax code
- How do we achieve the best outcome for the most people?
 - Longer lifespan/fewer workers
 - Companies may not be able to shoulder the (perceived) risk of traditional pension plans



2006 Conference

- Asked fundamental questions for key stakeholders
 - Who has what **needs**?
 - Who can bear what **risk**?
 - Who can play what **role**?
- Four key stakeholders: society, individuals, markets and employers



2006: Conference headlines

- Retirement systems should be
 - Designed to self-adjust
 - Align stakeholders' roles with their skills
 - Consider new norms for work and retirement
 - Be better aligned with markets
 - Clarify the role of the employer
 - Will not succeed without improvements in the health and long-term care systems



2007: Aligning Roles with Skills

- How do the other three stakeholders (society, markets, employer) best help individuals create a successful retirement?
- Goal: Role definition
 - All stakeholders play a role suited to their skills and talents
- Roles are first key step in designing solution



2007: Headlines

- Society provides structure to the retirement system
 - Society also needs to set objectives
- Markets need structure to work best
- Opening up possibilities for role of employer (rethinking second tier)



2008 Conference Objective

- Examining ways to make the retirement system work better in 21st century
 - Changing signals
 - Default distributions
 - Completing markets
 - Self-adjusting mechanisms
- How do you make these work well?



Challenges

- These four characteristics contain possibilities
- But ...
 - Who is helped? Who is hurt?
 - Ex post vs ex ante
 - ◆ Do we know the future generation's preferences?
 - Additional complexity (individuals, governing agents)
 - Cost vs. choice



Rules

- Participate!
- Think outside the box: Assume today's regulatory structure doesn't exist
- Focus on
 - What could be, not what has happened
 - Principles, not details
 - What we need to achieve, not how we'll do it



Rules

- No jumping to solutions
 - We're defining roles, not how those roles should be applied
- Respect different points of view
 - We all have different ideas about what the roles ought to be
 - US/Canadian participants
- We are not covering health or long-term care

