

Designing the Characteristics of a
21st Century Retirement System

Actuaries
Risk is Opportunity.

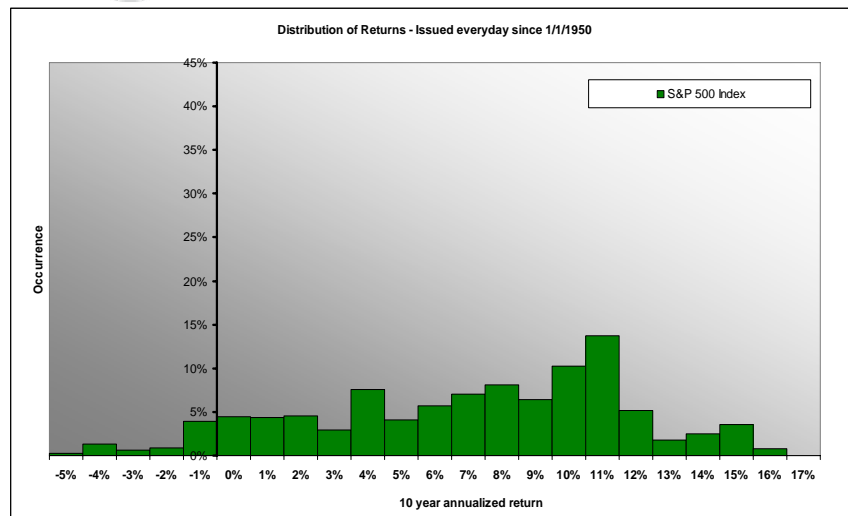
Self-Adjusting Systems: What's Possible Panel Discussion



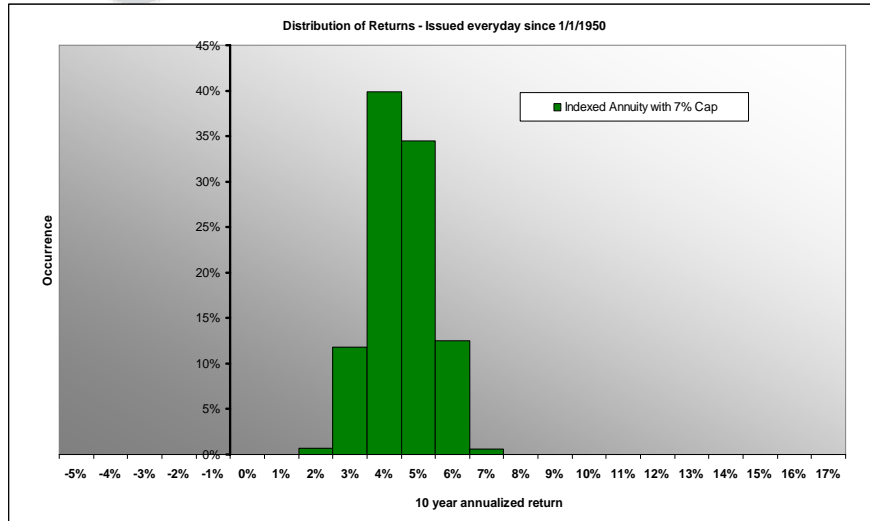
SOCIETY OF ACTUARIES

Retirement
20/20

Actuaries
Risk is Opportunity.



SOCIETY OF ACTUARIES



Set-up

- Assume you've got a Dutch-type system with a career pay benefit with indexation and in most cases you can use inflation indexation or benefit level to hedge
 - Note: adjusting "full retirement age" is a benefit level adjustment



Which must you hedge?

- Of the following, if you had to hedge one of these, which one is most important to hedge (rather than self-adjust)?
 - a. inflation
 - b. investment return (pre-retirement; 50/50% equity/bond)
 - c. investment return (post-retirement; 20/80% equity/bond)
 - d. systematic longevity risk pre-retirement (e.g. self-adjust through benefit adjustment)
 - e. systematic longevity risk post-retirement (e.g. self-adjust through benefit increases)
 - f. anything else?



Which is best self-adjusted?

- Of the following, if you had to use a self-adjusting mechanism, which one is the best to self-adjust (rather than hedge)?
 - a. inflation
 - b. investment return (pre-retirement; 50/50% equity/bond)
 - c. investment return (post-retirement; 20/80% equity/bond)
 - d. systematic longevity risk pre-retirement (e.g. self-adjust through benefit adjustment)
 - e. systematic longevity risk post-retirement (e.g. self-adjust through benefit increases)
 - f. anything else?

