Informal Discussion Transcript

Session 1C - Perspectives and Implications to Stakeholders of Increasing Longevity

Presented at the Living to 100 Symposium

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TIMOTHY F. HARRIS: This is a big meeting room and so we've improvised and we now have tables and chairs. The topic is the Perspectives and Implications to Stakeholders of the Increasing Longevity that we all just heard about from an excellent presentation by Dr. [James] Vaupel. We have four experts on the topic here. We have Dr. Rob Brown, who is a retired professor from the Department of Statistics and Actuarial Science at the University of Waterloo, and I'm sure many of you know him. He's a fellow of the Canadian Institute, a fellow of the Society and an associate of the Casualty Actuarial Society. He is a past president of the Canadian Institute of Actuaries and a past president of the Society of Actuaries and he was also the research chair for the Ontario Expert Commission on Pensions, so this is definitely an area of expertise for Dr. Brown.

We have Jennifer Haid, a consultant with Ernst & Young, and she works in their insurance and actuarial advisory services practice, based in the New York office. She has 10 years of experience serving insurance and corporate clients, focusing on longevity and its application to global pension de-risking strategies. She is also a regular speaker at industry events and is a co-author of the paper "Living to 100: Insight on Challenges and Opportunities of Longevity," which was commissioned by the Society of Actuaries and it’s going to be, I believe, primarily the basis for her presentation. She is a fellow of the Society and a member of the Academy of Actuaries and a CFA charter holder.

Then we have Sally Hass, who is a consultant. She’s a nationally recognized leader in the design and delivery of workplace retirement and benefit education. She had a 30-year career at Weyerhaeuser where her programs inspired and motivated many of the company’s 50,000 employees to take action in preparing for their retirement. She has also pioneered solutions to help employers address human resource and benefit practices related to an aging workforce. She has implemented solutions that elongate the careers of talent both pre- and post-retirement, reducing the risk of lost knowledge and maintaining the competitiveness of the workforce.

Then we have Dr. Sandra Timmermann; she’s a nationally recognized gerontologist with a focus on aging and it’s relation to business. Sandy was previously an executive director and a vice president of Met Life in their Met Life Mature Market Institute, which has since been disbanded, and given that, I will turn this over to Jennifer Haid. I think we have the antitrust notice for our meetings so you’ve all seen this, Jennifer.

JENNIFER HAID: Perfect, thank you. As Tim said, the basis of my presentation this morning will be to review the topics and information that have been presented at past Living to 100 symposia.

My background, as Tim had mentioned, is both in the corporate benefit space and in the insurance advisory space. At EY, we do a lot of work in a lot of different areas related to this topic: We consult to insurance and capital markets and banking clients as they work to put together retirement products for their customers, we work with pension plans in the design and management of their employee benefit plans and we also consult to governments in relation to their social security programs. In all of those roles, it's important to have an understanding of expectations of future longevity.

The Living to 100 symposia, as you know, provides an opportunity for our industry and academic communities to come together and share ideas. What we wanted to do with this report is to not only summarize the materials that had been presented but to also frame that material so it could be used as a tool to identify future research efforts. We wanted to highlight areas where there were synergies and differences in the way that we, as actuaries, thought [about] certain aspects of longevity. It's not surprising that we have differences across geographies, between our academic and industry communities, and between our pension, insurance and banking specialties—these are areas that we see as great opportunities to come together to share ideas and work collaboratively.

What I'm going to do today in advance of opening up the panel discussion is to take a look at a few key findings to refresh our minds as to where we stand today. We'll go through some of the key themes that we saw, we'll look at some of the areas where we all agree on where we stand today and then we'll look at those areas where we see opportunities for future research.

The first thing we all agree on is that we're all living longer. This picture that I have up here is a picture of the number of people that have lived to 110 by reporting year. Now keep in mind these are numbers of people, not percentages. What you need to take away from this chart is that for each of the countries represented, people in recent years are living a little bit longer than they have in the past. This is data from the developed nations: American, French, Danish, Japan, etc. If you drew this picture for the developing nations, you would see the same pattern.

We do know that there are differences in the way that mortality improvement is emerging between countries, socioeconomic groups and genders, but the message is the same: We are all living longer.

Our understanding of why that is, is growing as well. This chart, which looks a little busy, shows the different factors that work together to contribute to our increasing longevity. The point of this chart is that there are a lot of factors that influence longevity and they are all interrelated. We're starting to understand what these factors are, but we're still trying to figure out how everything works together and what that means to our increasing lifetime.

The second thing is, we do have some gaps in our understanding which are driven by data issues, especially for ages over 100. There is limited data for a variety of reasons: As lifetimes extend, data at the oldest ages continues to be scarce; there are inconsistencies in the way that we've collected, scrubbed and analyzed data in the past that make it difficult for us to aggregate data between countries and industry groups. As we look forward, we need to think: Are we looking for ways to find more data, better data, and ways to aggregate that data so it can be used in our analyses?

We have a good number of tools at our disposal. In the paper, we go through nine different mortality models, each of which is applicable depending on the geography and industry in different ways. However, there is no standardized approach for using these models; i.e., certain models are more applicable to data from particular industries, or countries. This nonstandardized approach makes it a challenge to compare and contrast the output of these models.

Lastly, we’re clearly all affected by increasing longevity, and, more specifically, we’re all affected by the difference between our expectations and the actual emergence of mortality improvement. These expectations impact our social security systems, our social infrastructure, our health care systems, our retirement planning. There are a number of important conversations that we need to have as we look forward to how we manage these systems in light of unanticipated increases in longevity.

Before we get to the panel discussion, I’d just like to summarize a few quick things. First, there are many things that we agree on. I’ve listed them here. I certainly won’t run through this whole list, but we agree data is an issue and we agree unplanned longevity has serious implications for our social security systems and social welfare systems going forward. We agree there’s work to be done to mitigate some of the data and modeling issues that we talked about before. We look at these as great opportunities for our academic and industry communities to come together.

There is one last chart I wanted to review. What we did here was to look at the different information that's been presented at the last four symposia. On the left-hand side, we've broken the information down by stakeholder: government, corporate, individual, health insurance, life insurance and other, which we're calling reinsurance and banking. Along the axis at the top, we have the different elements of how we think about the analytical process and the implications of increasing longevity, so from the left we start with data, we move into analytics and modeling and then we end up with social implications. The red boxes are areas where there isn't a lot of material in past symposia; the green boxes are where there has been good coverage of the material; and the yellow boxes are those in between. What I'd like you to take away from this diagram is that there's been a focus on the technical applications of data and modeling; on general populations, so trends; and on the government and corporate sector. This big chunk of red here is the implications for what longevity means to us as a population—this is where the conversation has not yet had a chance to turn. Work has certainly been done—the members of the panel are experts in this field, but this is increasingly where the conversation is going to head as we look forward. I'm looking forward to the discussions we'll hear over the next couple of days where we'll get to fill in some of these blanks. Tim, with that, I'll turn it back to you.

TIMOTHY F. HARRIS: OK. So the structure here is that, as I said, we have a coffee table-type set up here and I'm going to ask the experts to give a brief discussion to present their thoughts on the implications of aging and then we're going to hit them with a number of questions and ask them to specifically address these questions and the questions will show up here on the board. And then, since this is more of a coffee table-type discussion, we'd like your participation. We have one microphone here, so if you'd like to make a comment while they're making comments or you'd like to make a comment after their comments, or ask a question after their comments, please do so by stepping up to the microphone, announcing your name, your affiliation and your question. So, then given that, let's start with Rob Brown.

ROB BROWN: I want to take a second to comment on our presentation that just finished. Because many of the people in the room are actuaries, you know the pressure that I feel when you go to social occasions. You're going to feel the pressure of being the most exciting person in the room.

I think we now have two more pieces of ammunition to be that center of excitement. One is that every time you live 24 hours, you get to add another six hours to your life for free. (LAUGHTER) That’s pretty neat, isn’t it? So I’m taking that to my next party. But sometimes you want to have a question that you can sort of let people mull over and discuss. Based on the statistics we saw earlier, here’s your party question: Who has the higher probability of getting to age 100, a person alive today aged 80 or a newborn? The answer was in the data this morning. It’s a great way to start a party. (LAUGHTER)

TIMOTHY F. HARRIS: Sally.

SALLY HASS: I usually like to start a party with alcohol but I see we’re lacking that here this morning. I did want to elaborate a little bit on the introduction that Tim provided. I’m here to try to represent the perspective of the employer and the employee, but I want to narrow that just a little bit and to frame it in that my knowledge and expertise is really in the area of North America, U.S. and Canadian employers and primarily large employers. And just to expand in terms of my background because I realize that my perspectives are probably going to be different from many of those that you’re going to hear not only on this panel but throughout the conference and I thought if I expanded on my background it might give me a little bit better, what can I say, chance of credibility or some credibility.

As Tim mentioned, for many, many years, I was responsible for workplace education for the Weyerhaeuser. Our company Weyerhaeuser is a heavy industrial forced products manufacturing company and, at one time, they had almost 60,000 employees in 400 locations in the U.S. and Canada. Because I was running so many workplace seminars and programs, I was able to experiment and to make improvements and to learn what worked and what didn't and, gradually, the Weyerhaeuser seminar became recognized as the industry best practice, and I became fairly famous in this small backwater niche of workplace education.

My approach in all of my education work was to help each employee peer into their own best future and to deliberately choose to invest in those things today that set them up for the best outcomes and the most options in the future. And my goal was always to give every employee and their spouses the tools, confidence and motivation to take charge of the planning for the rest of their life and to get excited about that planning. But the goal of this planning was not just to achieve the ability to maintain their standard of living in the future, I thought that the goal should raise the bar to a little higher level and really aspire towards this thing called well-being or happiness. So I really am on the side that, even though so much of our focus is on the money, I think we should aspire as individuals to something beyond the money.

Starting in the year 2000, Weyerhaeuser Co. really was concerned about their own aging workforce and at Weyerhaeuser you could retire at age 55, take a pension as long as you had 10 years of service. We had over 40 percent of our employees who were eligible to retire at 2005, so I was asked to head up this initiative called grey matters, or I termed it grey matters, and my specific challenge was to see what we could do to elongate the careers of selected talent, both pre- and post-retirement, and so I've been kind of hunkered down on this issue of implementing strategies and solutions for employers around an aging workforce for almost 10 years. And today, in my consulting business, I help employers implement effective workplace education and then also help them develop strategies and solutions for an aging workforce.

As was mentioned, I think the challenges certainly for employees and employers are great and I'm interested in hearing about the perspectives that you have as well as the other panel members.

TIMOTHY F.HARRIS: Thank you. Sandy, can we hear from you?

SANDRA TIMMERMANN: Thank you, Tim. I know that Sally has worked in this field for a long time and has been reflecting on how you extend someone's work life, and so that's a good segue into what I want to say. I come with a background and an academic degree in gerontology, and was hired by Met Life 16 years ago to start the Mature Market Institute. For those of you who don’t know about the institute, we conducted many research studies, about 10 a year, that were focused on life stages and life events as people transition into retirement, recognizing that that’s a time when money is in motion, but there’s so much more to the retirement transition than that. What I’ve been thinking about is the retirement lifespan and the idea of getting our society to think differently about the aging population. There is discrimination of older workers, let’s face it, but as older workers, we often buy into that idea ourselves. Is the word retirement obsolete? I’m proposing that we think about adding a fifth life stage and this is my scheme.

Back in 1900, there were essentially three life stages: One was childhood, then there was adulthood and then there was old age. Somewhere around 1930, we recognized that a 16-year-old has different developmental needs than a 6-year-old, and adolescence was added, resulting in four life stages—childhood, adolescence, adulthood and old age. Now we are rethinking the population age 55 to 75, defined more on a functional rather than chronological level. So here’s what I’m proposing: We should add a fifth life stage—childhood, adolescence, adulthood, adulthood 2.0 or some call it encore years, and then elderhood or old age. I think we have to carefully define both adulthood 2.0 and elderhood, because even those who are frail have something to offer and to give back. In the past few years, the popular view is to look at the aging population as a burden on society and families and it's a matter of shifting our paradigm. Today, I want to focus on the encore or adulthood 2.0 years, because many of the people in this age group, especially those who are not the very wealthy and are not provided for by the government safety net, these are the people who can fall into financial trouble if they haven't saved for retirement or aren't generating income. They are the ones who need to keep working. My view is that we should not only work with the big employers to help them appreciate the skills and experience of older workers and create phased retirement programs, but also it is important to get people to think about planning for an encore career and to do it early.

We had conducted studies on older workers at the Mature Market Institute and found that sometimes they're their own biggest enemy. They look for jobs and just present their original resume and expect a younger person who is doing the hiring to understand how what they did in the past relates to the job that is available. If we begin to think in our 40s about retooling, when we are in our 50s, we could make a conscious decision to change careers and go into different work, perhaps at nonprofits and to prepare for work that we really want to do that would give us purpose in life, something that's really meaningful. Maybe it's entrepreneurship. There's an increase in entrepreneurship among older people. There is an organization called Encore.org that awards a Purpose Prize for people over 60 who have started a nonprofit or voluntary organization that has made a significant difference. I have a good friend who won the $100,000 prize this year, Vicki Thomas. Her marketing business was not doing well, and she had always had a great interest in disabled veterans. She decided to work with two veterans who became disabled in the war in Afghanistan, one is a double amputee and the other one had a post traumatic brain syndrome, and she worked with them to create their organization called Purple Heart Homes, which builds home for other disabled veterans. She put her own time and energy into it gratis in the beginning, because they didn't have funding. I think we've got to chip away at the aging stereotypes, because we need—This is the right thing to do not only for the self-esteem for our older population but also to enable them to generate income and to give back to society.

TIMOTHY F. HARRIS: Thank you. Now we're going to move to the questions and we've got four questions on the list but we’ll see how it goes timewise. The first question: Should the standard retirement age change and at what pace? How and when will people retire and what will retirement mean? Now Rob is first with the answer to this and I’m going to switch to his slide, which means I have to go to another computer so, Rob, you can start.

ROB BROWN: Thanks, Tim. What does the word “retirement” mean is where I’m going to start. That’s a really tough question and I’ll use myself as an example. Am I retired? Well, if you phone up the University of Waterloo, they’ll say, yes, he’s retired, he’s getting his full pension check and he lives in Victoria. Of course, he’s retired. But I will also, this year, earn more than the average industrial wage in Canada through work that I’m doing. Not my pension. So, am I retired? It’s a tough question because we don’t have this cliff anymore; it’s more often a transition and I think that’s becoming well known.

I headed a CIA taskforce on retirement age and that was the first question we asked ourselves: How are we going to define retirement? We actually defined retirement as the point where your pension income and social security income exceeded your work earnings. Under that definition, I am retired. Now you’ll see from this slide that Canadians have, in fact, been staying in the workforce a little bit longer, retiring a little bit later. This started back in

2001, so it wasn’t because of the financial crisis, although quite honestly we didn’t go through the massive upheaval that you did in the United States but still, the retirement age has been pushing upward. I’m going to come back to this later. Did the government make this happen? You’ll find out the answer to that just a little bit later.

The projections here are that Canada’s retirement age is going to continue to rise. These data are being used by the Canada Pension Plan actuaries. Why do we expect the retirement age to continue to rise? Well, we’re actually talking pretty seriously now, very seriously now in Canada about impending labor shortages. So, in fact, there will be incentives for healthy workers to stay in the workforce longer. I think it’s Sally’s turn.

SALLY HASS: As a couple people have already mentioned, we simply don’t have the language or the vocabulary to really describe this new stage. Sandra, I liked your retirement 2.0 and we’ve all been struggling with what is the term or terminology we’re going to use to describe retirement and what I think is going to happen is that we’re still going to be using the word retire or retirement, it’s just going to take on new meanings.

I’m old enough to remember when something was labeled “made in Japan.” Back in the ‘60s, it meant inexpensive or cheaply made. Today that same phrase, “made in Japan,” it’s the same phrase, means something quite different and so I think we'll continue to use the word retirement but it will take on very much new meanings for all of us.

Clearly, many individuals will never retire or stop working all together and many of those will work as long as they can, as long as their health and their employers permit them to. In working with employees, primarily in the U.S., the number that many of them still are holding out for retirement and retirement ages is 62. Even though, you know, we're talking about the fact that retirement age is ramping up, the number that is still out there for many of them is 62 and yet I believe 72 should be the age that we start thinking about it harder and especially for younger people.

SANDRA TIMMERMANN: I wanted to comment. The last study that we conducted at the Mature Market Institute was focused on the very oldest boomers, those who have turned 67, and despite all the advice given to people to delay taking social security benefits so they can get a higher income stream, the vast majority, over 85 percent, had already taken social security and most of them took it when they were 62. In financial services, we're trying to get people to think about the implications of cash flow by waiting until 70 but the message isn't coming across.

The other finding that was quite remarkable was how many people were retired and liked it, despite their asset level. And, what I thought was quite intriguing is, even though they thought they were going to have to reduce their lifestyle, they actually didn't feel that they had reduced it so much that it affected their lifestyle. Now that's an average and it is based on the 67-year-old cohort whom we followed for three years. What will happen to them in 10 or 20 years? I think we've got to change our attitude about early retirement because society can't afford to have people retiring when they can continue to make a contribution, and we have to get people who are retirement age as well as employers to think differently too to ensure greater retirement security for the older population.

TIMOTHY F. HARRIS: OK. So let's open this up to comments or questions from the group.

TOM BAKOS: It seems like you need, in order to talk about retirement intelligently, it almost seems like you do have to have some kind of definition. You know, Rob doesn't know whether he's retired or not. I guess I don't either; I have the same problem. I was asked prior to my attainment of age 65 whether I intended to retire or not and I said, what does that mean? So it seems like you can look at retirement in the terms of social security type programs, pension programs, where in an early retirement age or the 65 that's been set, you know, is starting to create financial problems for those retirement programs because people are actually retiring at age 65 or at age 62. And so I guess I'm wondering, I mean, so there are some social effects. Sandra is saying that when you retire, you should give something back to society and I think that's great, but if you increase the retirement age for social security programs, then, of course, you take a lot of those, you know, older, highly intelligent people out of the population who can do what Sandra said, so it seems like there's more to this and in order to understand it, you really do need to define what retirement is or if there is such a thing.

TIMOTHY F.HARRIS: Next.

FROM THE FLOOR: Really along the same vein, it's just when we look at the discussions that we've had to now, it's almost like is this the standard of living to which I would like to become accustomed, is the, almost the, definition of retirement. When the retirement programs first came into place, it was a very small proportion of our society and the definition definitely has changed to the point now where we're talking about, well, this is where we'd like to be able to spend some more of our life on that and I think we do have to have some definitions included in there, just as Tom said and really it does come down to, as well, and I'm glad I think Sandra you mentioned that we do have to consider the affordability of it and what proportion of our population can be supported by the rest of society, regardless of whether it’s fully funded or it’s a pay-as-you-go system. I think that that’s a different issue, but we really do have to include that in there as well, is what can our society afford and that’s where personally I don’t like the definition, the first sentence you had up there, should the standard retirement age change. I don’t think the standard retirement should have an age; I think it should be something more like a proportion of our society, the oldest proportion of our society gets it and that’s it.

SALLY HASS: I have a general premise which may be controversial but that it’s in the best interest of the vast majority of individuals to work longer and that it’s also in the best interest, for most economies and nations, to have their workers working longer. I don’t know whether this audience would agree with that but I think that if workers work longer, they’re paying more taxes, they’re contributing to GDP, they’re not depending as much on entitlement programs, they’re healthier and, I think, in some cases, they definitely are happier and so I think that it really is in our best interest, individually and for our nations, to encourage people to work longer.

SANDRA TIMMERMANN: In several of our studies, when we ask people what their biggest concern is about retirement, it isn’t always about money. About 25 percent across the board always say it is to remain productive and useful. What can we do with that interesting finding?

JENNIFER HAID: And I might add to that as someone who is coming up through the workforce, there’s a lot of benefit to be had from that transfer of knowledge. There are people on that retirement cliff that hold the information that I need to do my job more effectively and the experience that would really benefit me and my career development. I think it’s important to make sure there exists the framework to affect that knowledge transfer in a way that makes sense for both younger people coming up through the workforce but those people that want to change the way that they exit the workforce as well.

TIMOTHY F. HARRIS: Anna.

ANNA RAPPAPORT: Anna Rappaport, chair of the Committee on Post Retirement Needs and Risk. I want to share two findings from our recent research. We did focus groups last year with retirees who had some assets but were resource constrained and who retired voluntarily. The sad news was that of those retirees who had retired voluntarily, many, many, many of them had been “pushed,” due to difficult job environments, family issues or health issues. Relatively few of them were retiring to meet their dreams. They weren’t retiring for a dream, but rather they were pushed, a very sad finding. The committee also sponsors the survey of post retirement risks and needs, which is conducted every two years. The 2013 survey, the median age at which the retirees had retired from their main long-term job was 58—and remember a lot of them were pushed—compares to expectations of the people nearing retirement age that they'd have a median retirement age of 65. This very large difference between what people are expecting to happen and what happened to retirees has persisted from survey to survey. This is consistent with what we're hearing from the panel. I believe many of us in this room feel these issues are important. However, when we look at our institutions, public policy and employers, do they have policies and practices to facilitate people making these alternative choices? A few do, but many don't. Does public policy help? Not very well in the United States. There are huge opportunities for institutions and the Society to do a better job to facilitate different types of retirement choices. If there's something I'd like everybody to walk away from this meeting with, it's a commitment to focus on a desirable change and working to make it happen. As a group, we can make a huge contribution. One of my concerns is that they are usually not talking about adjusting retirement ages. Rather, they are focused on getting rid of the liability and running for the hills. There is an opportunity for all of us to focus on how we should try to change the conversation.

TIMOTHY F. HARRIS: Ward.

WARD KINGKADE: I just wanted to mention something that might surprise people. I happen to work in an organization where I was surprised when I called the personnel office to find that there's absolutely no upper limit on how long you can work or how old you are and stay at the job.

SALLY HASS: Wait, what company are you with? (LAUGHTER)

WARD KINGKADE: That's the interesting point: I work in the federal government of the United States of America.

SALLY HASS: Are they hiring? That's the question, not the age limit.

WARD KINGKADE: Well, I'm not here representing the United States government and I'm going to duck any such question at any time. The point is there is an incentive, which is that your pension, of course, depends on how much money you've made in the last several years you've worked. So if the Republican political party succeeds somehow in slashing federal government personnel salaries, I'll retire immediately, otherwise I'm not going.

TIMOTHY F. HARRIS: Thank you very much.

JENNIFER HAID: I might just add onto that comment and say that I also fortunately have a defined benefit plan, so I, my retirement, will also depend on the earnings that I've made over the last years before my retirement. However, for a large number of people in the United States and a growing number of folks in Canada, the option of a defined benefit plan is no longer available or is being phased out. This means that the decision that you mentioned as to when to retire and or the ability of the employer to help you make that decision is being taken away gradually as it becomes more a function of the assets that you currently have than of the last few years of your working lifetime.

TIMOTHY F. HARRIS: Jay.

JAY OLSHANSKY: So this issue of the retirement age is one that the McArthur Foundation researched, that work is now tightly focused and I can tell you we'll publish it later in the year, but the overall conclusion is that if you index retirement age to longevity, the retirement age would be somewhere in the 70s, which, by the way, is what the founders had actually originally anticipated in the 1930s. The problem is, is that if you delay retirement age, it has a dramatically differential effect on subgroups of the population, which actually relates to one of Jennifer's original comments on what we all agree on, which I don't agree with, by the way. (LAUGHTER) And the thing that we supposedly all agree on is that we're all living longer. We're actually not all living longer. There are subgroups of the population that are actually living dramatically shorter lives, and, of course, we know who they are, they're the least educated, white subgroups of the population, but also nonwhite subgroups of the population, but the white least-educated are experiencing dramatic drops in life expectancy, so if you delay age of retirement, the differential impact on the subgroups is absolutely astounding, so we have to be real careful when we have this conversation about how different subgroups are influenced.

SANDRA TIMMERMANN: I'd like to add something too. Many people retire early or leave the workforce because of health reasons, so to expect people to work may not be realistic. EBRI's [Employee Benefit Research Institute] data analysis reported by Jack Vanderhei indicates that based on current savings rates, people will have to work until age 84, and the audience was in a state of shock. There may be a financial need to work longer but the health issue is really a big one. That means that we've got to start tying health behaviors to longevity in a way that we haven't before, starting with younger ages, because workplace absences and the decision to leave the workforce due to disability are often for behavioral reasons, not other reasons.

GARY MOONEY: Gary Mooney. I don't like the term standard retirement because, while it has meaning for social security benefits and for people in defined benefit plans, for many other people it really doesn’t have a whole lot of meaning. Secondly I don’t like the term retirement and what I would propose, although it’s a rather awkward expression, is really to focus on hours of gainful employment per week, because if somebody is working—and I was just reading an article the other day about people graduating from medical school in Canada, specifically women, many of whom intend to work part time through their whole careers—so I think it’s much more meaningful to talk about how many hours per week you’re gainfully employed. And I distinguish between gainful employment and volunteer work because there’s some sort of indication there as to a need or a desire for compensation and I think that, really, the balance between compensated work and leisure time I think is important.

SANDRA TIMMERMANN: The Purpose Prize is given to people who are hired by nonprofits and earn income, and while that doesn’t always happen, there are great needs in this society and we could channel people to these types of careers. They may not make as much as money as they did in the past but they’ll continue to generate income.

TOM GETZEN: I’m with the International Health Economic Association and emeritus professor of risk at Temple University, although the main thing I know about risk is that I hate it and so does everybody else. Many of us are actually in the financial services industry. I am trained as an economist, and for me it is about the money. Money is a big issue and I'm very concerned if we're in financial services and those products depend upon trust. If we keep breaking promises with our consumers, where their pensions aren't what they expect, then there is no trust. Every time I have a conversation with my son, he screams and yells at me about how I and other wasteful ex-hippies destroyed social security for him and his generation. Or I read about the bankruptcy in the city of Stockton and how much they are going to owe CalPERS [California Public Employees Retirement System] to cover their pension liabilities. We are at risk of losing trust. It seems to me that [what] Anna was referring to is mainly companies getting rid of liability by dumping it on our customers, and those workers are [going] to revolt at some point, they're going to be unwilling to participate in a market if the promises that are made for the long run that they're asked to contribute to can't be kept. Because that trust level is decreasing. What are we going to do rebuild it?

TIMOTHY F. HARRIS: Thank you.

LES LOHMANN: I live in Tokyo and I guess I'm on my own, but I've noticed that one of the primary drivers of longevity from a senior point, is the desire to live and that people who have that desire to live, live longer and that people who don’t have that desire to live, have their lives cut short often, interestingly enough, from disease. Perhaps they take up smoking, smoking or smoking. And in any event, a very famous actuary pointed out that the most important thing for retirement is society wealth and I support that contention with a great deal of enthusiasm. I think that the important thing and perhaps part of the panel would like to mention it, is that if we retire well, we’re going to have greater longevity and if we don’t retire well, we are not. And so that if you’re an organization paying for retirement such as a government or a company, in fact, you want to create a lot of anxiety and difficulty and have a lot of missing resources in retirement so that your costs will go down and if you’re the person retiring, you want to avoid the anxiety and you want to have those resources so that you have that desire to live. And I personally believe there’s more than enough work to be done for everyone to be gainfully employed even voluntarily or financially. Anyway, the relationship between a healthy retirement and a healthy life, I think, would be of interest.

TIMOTHY F. HARRIS: Thank you.

SALLY HASS: I may have misunderstood your question. What was your, your premise, though? That at some level it’s better if people die younger and that there’s some desire for that to happen?

LES LOHMANN: I'm claiming that if you're paying the bills and you claim you want them to live longer, perhaps you are misleading your audience.

ROB BROWN: I'm going to jump in just for a second. I think it was Ford who used to say: "I pay my workers a pretty good wage because I want them to be able to buy a Ford." Somehow we're missing the fact that all of our employees are also our customers ultimately and if we pay everybody $10.00 an hour, they're not going to be able to buy the products that we produce. For a long time, I've connected the sense of financial income security and longevity. As one example, I've done papers where I've stated that more health care doesn't mean better health. If, by paying for more health care, the government has to cut back on other social services that provide health and income equality, those cuts would be huge drivers (as Jay Olshansky was saying) of low life expectancy. It's not just that you're poor, you're poor in an environment where you can see that everybody else is better off. That's actually one of the factors: being poor in a wealthy environment. All of these things intermingle. I sometimes point out to people that the social security actuary has to make a number of assumptions to do the valuation or to cost out the initial contribution to a new social security system. Two of the key assumptions are fertility and mortality. But if you introduce a new social security system to a country, you immediately have a measureable impact on fertility (down) and mortality (down).

LES LOHMANN: You remind me that we’ve been led to believe for now, gosh, 23 years that [Alan] Greenspan increased the retirement age for social security but anyone who understands how retirement social security worked prior to that knows that he in fact decreased the retirement age, because prior to Greenspan’s influence in 1983, we had a dollar for dollar reduction in social security payments for anyone [who] was working until age 70. The real retirement age at that time was 70, not 65, so raising it to 66 for me didn’t have much of an influence.

TIMOTHY F. HARRIS: Thank you. As Rob said, we had four questions; three and four are more interesting than two. I’m going to skip two. Can I skip two?

SANDRA TIMMERMANN: I’d like to say a little bit about question two because we haven’t talked about the very old and the movement toward aging in place. I think it’s really important not to only look at workforce but to look at that issue as well, so I have a couple of comments on that, if I could.

SALLY HASS: Do you want to read the question?

SANDRA TIMMERMANN: That’s all right. I do think it’s really important to talk about the aging-in-place movement that’s going on and what the implications are of that, and that was question two so don’t forget me.

TIMOTHY F. HARRIS: OK, it just seemed like question four was more in line with our discussion at this time; no, I’ll go to two.

SANDRA TIMMERMANN: We haven’t talked much about very frail elders and what the government, what business, what individuals can do about that, because it isn’t just about working longer, it’s really about how do we sustain an aging population. My point is that individuals say they want to age in place, the government wants people to age in place and you’ll notice that nursing home occupancy is going down. The theory is that aging at home will save the government and individuals money, but if we don’t have the infrastructure to support that, it isn’t going to work. It is a good rallying point for us to think about because there are some new models that may enable people to remain at home and receive care at lower cost. One area that hasn’t been addressed is how to tap into home equity. We’ve been discussing annuities but there are changes in the reverse mortgage product that would enable people to consider it as part of a long-term retirement income and care plan. Aging in place also creates new opportunities for job creation such as home modelers and case managers. There should be more ways for the government to experiment with some of the programs like the cash and counseling, which enable people to age at home. We can’t expect frail elders to continue to work and perhaps there is some way, through models like the village model, which is a national community-based membership model that draws on volunteers and community resources, that people can afford to remain at home. We need to do some thinking as a country about new models because we need to solve the human and monetary costs of caring for people with chronic conditions and solve for the retirement security problem.

SALLY HASS: Sandra, I wanted to ask you in your life stages example or model, if the time in our life where we really are truly old, if that has elongated as well in the life stage model or if the time in our life where we’re truly elderly is still the same amount of time?

SANDRA TIMMERMANN: Well, that’s been the focus of discussion today and the actuaries would know better, but functionally, we are healthier in our younger years and we keep pushing the envelope on that as disability rates in older ages are falling slightly. The concept of the elderhood stage is that even if you are frail and elderly, you have value in society but we’re hoping, with the compression of morbidity, that the elderhood stage will be shorter.

SALLY HASS: Shorter, right.

ROB BROWN: I was asked to bring a little bit of a Canadian content to this question. In that taskforce that I mentioned for the CIA on issues around retirement age, one conclusion that we came to was that the government shouldn’t be the one to try to set the retirement age, that people should retire when they’re able to retire, when they’re happy to retire or when they can afford to retire. Now despite that, the Canadian government has announced an increase in the eligibility age for part of our social security, called Old Age Security. It’s a demogrant payment, and it’s financed by general tax revenues. The government is going to raise the age from 65 in 2023, to 67 in 2029. There was no real economic reason for this, the system is sustainable. It also is the case that the argument given for raising the eligibility age was to control the costs as the baby boomers retire. But in fact, since the age shift does not start until 2023, it leaves out most of the baby boom. It was all political.

Now having said that, we do have a bit of a bifurcation in the Canadian pension scene now. We have really good, defined benefit pension plans in the public sector with some big incentives to retire early. In the private sector, very few defined benefit plans are left; they are almost all defined contribution plans, if you have anything at all, and only 39 percent of workers in Canada have anything (and only 24 percent in the private sector). I think there is good reason to try to work on taking away some of those strong early retirement incentives in the public sector and that is starting to happen.

The question here is about long-term care and health care. Health care is not something that Canadians tend to worry about; we have it universally, always have had (since the mid-1960s) and it's pretty good. Long-term care seems to be something we don't talk about. I don't think families are set up anymore to anticipate, you know, grandpa moving in. I just don't think that's a reality of the relationship that we have these days. There's a lot of talk in Canada about how we have got to build more long-term care facilities and provide more long-term care beds, partly because we've got to get these people out of acute care very expensive beds who are there inappropriately, who are really in need of chronic care.

But I'd like to suggest an alternative living-and-aging-at-home type of model. My understanding is that Denmark has virtually no long-term beds. They have resources that allow you to age at home and this may be a cycle we have to go through. That is, we're going to build all these long-term care beds and then somebody is going to wake up some morning and say, well, that was stupid. Maybe we should just leap frog that stupidity and go straight to aging at home.

TIMOTHY F. HARRIS: Actually in the U.S., we have an oversupply of long-term care beds. For a couple of symposiums ago, my staff and I modeled the health care supply and demand in the U.S. and that’s one area where we found an oversupply. Part of that is due to some of the comments we heard earlier today of medical devices, you know, artificial knees, artificial hips, different medical devices and advancements that allow the elderly to continue to function at home. Another part of it is due to something we heard a little bit about earlier today, compression of morbidity. What’s happening is people are making it up to a certain point and then, as Jean-Marie said, when they get to that point, his case was dementia, they’re reaching that point at an older age and they’re dying more quickly when they get to that point, so the morbidity is being compressed and people that are going into nursing homes are going in later and leaving earlier when they die. So there are a couple of changes going on in that area.

SALLY HASS: Tim and part is the oversupply or the vacancies in long-term care facilities or assisted living due to the price tag. In other words, do we have a population that would very much want to…

TIMOTHY F. HARRIS: Long-term care gets picked up, in a lot of cases, by Medicaid and we tend to think of Medicaid as paying in the U.S. for health care for people at lower incomes. Half of Medicaid goes to individuals in long-term care and half, 51 percent, you know, 50 percent plus or minus, goes to individuals in long-term care and these are individuals who have gone through most of their assets. Any income that they receive is assigned to the long-term care facility but then Medicaid picks up the rest of it.

SALLY HASS: I mean the concern is it's going to come off the backs of families because it's true that the occupancy has gone down and hopefully it is because of the compression of morbidity but I also think families are so stretched. And as you look at the Gen X generation, there are fewer of them to take care of the baby boomers, who we've got until 2050 until the baby boomers really age out. It's such a big generation, so the population demographics make me worry.

TIMOTHY F. HARRIS: So this question is: What is the appropriate role of government, employers, individuals and families in providing retirement income and support for health and long-term care? So I'll open this up to comments.

TOM BAKOS: Tom Bakos again. I don't want to delay getting to question three, but is there a punctuation error in the question, should it be government comma employers or are you talking about government employers?

TIMOTHY F. HARRIS: There should be a comma there.

TOM BAKOS: OK. Now we can get on to question three because that was really bothering me. (LAUGHTER)

TIMOTHY F. HARRIS: OK. (LAUGHTER)

TOM BAKOS: Well, if you weren't here and if you're looking at the record later on and you weren't here, you'd never know that.

TIMOTHY F. HARRIS: OK, that's true.

SALLY HASS: I want to make one more comment before we go to the next question and that is that the impact of long-term care on working adults and especially older workers who are caring for their families is a significant issue in the workplace and the way that, and maybe this gets to question four, but the way that I have seen some employers address this is to add additional services to their EAP [employee assistance program] services so that employees, working employees have more resources on how to help mom or dad live in another state with elder care issues. As well as I have seen some companies offer long-term care insurance, not only to active employees but to their parents, and the advantage of this is that people that sign up are able to get a group plan rate and don't have to qualify medically. So that's one of the things that I've seen a few employers do to try to lessen the impact of long-term care on active workers.

LES LOHMANN: The appropriate role of government would be to help enforce contracts and I think the appropriate role of employers is to honor contracts and I think that individuals and families should seek contracts in health care and income.

TIMOTHY F. HARRIS: Thank you.

TOM GETZEN: I'm not sure that we can separate these things. I mean, Rob, when you mentioned that in Denmark that they literally don't have nursing homes because essentially everybody has got nice assisted living facilities or places to help people. Nobody in their right mind chooses to go into a nursing home, 70 percent of the occupants are cognitively impaired or have severe disabilities, so it's not a group people want to join, and that's probably why the total number of people in nursing homes has gone down over time. We've had a massive increase in home health and other modes of care and living arrangement. If we give people decent retirements, then can get what they want. My idea of long-term care is a beach front condo, but if you'd rather live in a nursing home, we should really talk.

(LAUGHTER)

TIMOTHY F. HARRIS: Thank you. So I guess we'll continue in order then. The next question, No. 3, is: What role should annuitization play and how does this vary by country? Rob?

ROB BROWN: I think we're all aware of the fact that not many people in Canada or the United States annuitize, so you ask yourself: Why is that? Well, on one side, the client/customer side, they deeply discount extended life expectancy so they really don’t expect to ever be 95 or 100. Even if you can show them Vaupel’s information, they’ll deeply discount the value of insuring that longevity risk. But it’s also the case that in Canada and the United States, by definition, about half the population can’t get a fair market value annuity anyway. Why is that? Because we don’t do risk classification in pricing annuities. This is a huge untapped market. In the U.K., enhanced annuities for blue collar workers, less-educated retirees, people who have smoked are a rapid growing market. We don’t do this in Canada and the United States, and that means that half the population can’t get a fair market value. This is a failure of the private sector it seems to me and it might, in fact, be a failure of the actuarial profession.

We also don’t aggressively market deeply deferred annuities—the perfect product for longevity risk—buy an annuity deferred to age 85. There’s another session on right now with Moshe Milevsky from York University. He has shown that you can take about one-sixth of your asset pool when you retire (around 65) and buy an annuity deferred to age 85. Now you know you only have to look after yourself for that defined period up to age 85. You don’t have the tail of the longevity distribution anymore. This is a brilliant product and it would be perfect in what is rapidly becoming a defined contribution plan world.

If we don’t do anything in the private sector, we always run the danger that, collectively, voters will demand it from another source, perhaps the government. In fact, there has been a royal commission in the Province of Quebec recently talking about putting a second tier on the Quebec pension plan, which would be a deeply deferred benefit.

SANDRA TIMMERMANN: I just wonder what you think about longevity insurance as a type of annuity, which is the insurance you buy at 65 and then it kicks in at life expectancy. Do you have an opinion?

ROB BROWN: Well, we may be talking about two sides of the same coin.

SANDRA TIMMERMANN: It seems like the flipside.

ROB BROWN: I am saying that a deferred annuity is longevity insurance.

SANDRA TIMMERMANN: But this one doesn’t kick in until you’re 85, so …

ROB BROWN: Neither does the deferred annuity.

SANDRA TIMMERMANN: OK, I thought a deferred annuity …

JENNIFER HAID: I think it’s the same word for different countries.

SANDRA TIMMERMANN: Yes, that’s interesting.

TIMOTHY F. HARRIS: We had a discussion earlier today that Rob was the annuity expert.

SANDRA TIMMERMANN: I think you should continue.

SALLY HASS: The only comment I wanted to make about annuitization is with those companies that have the option of a pension plan, of taking an annuity versus the lump sum, because of the news headlines about pension plans being insolvent, I think that overwhelmingly employees are leaning now towards lump sums, just because of the emotional factor and the fear of will their pensions be there. And yet annuities have such a wonderful place in retirement planning and financial planning that I think there has been even a greater rush for those few companies that still have pension plans for the employees to opt for the lump sum and I don’t have data on what they do with their lump sum but I believe they’re not annuitizing any portion of that.

TIMOTHY F. HARRIS: No, I have a comment on that from people that I know that work pension plans for public employers, they refer to that as the bass boat amount. That’s where a lot of public employees, when they retire, they take a lump sum and they buy a bass boat. This may apply just to central U.S. but they’re not using the money to buy annuities or setting the money aside for future needs.

SANDRA TIMMERMANN: In the corporate world, there’s the hope, at least in the insurance business, that some money from 401(k)s would be annuitized. That seems to be something that many employee benefit people have been working toward, but the employee doesn’t seem to understand it and it isn’t seamless.

JENNIFER HAID: I want to make just a couple of points before we move on to Anna’s comments. On your point to education in the workforce, I think there have been a number of studies published that talk to the phrasing and the framing of the question of annuity purchase and how that influences employees’ decisions. So when you ask someone if they’d like to buy an annuity for life or income for life, they’ll say, “Oh, that sounds like a long time and I’m not sure how long I’ll live.” But if you ask them if they’d like to protect themselves against the risk of living too long, they’re more than happy to do that, so there’s a big education component at least here in North America, I think.

The second point is to the comment on annuitization take-up rates and the availability of products in the U.S. and in Canada. In the U.K.—and I know this is changing—there has been a requirement to take part of your pension as an annuity and that has facilitated the development of that market in the U.K. It has given us access to the data in order to price those products. As companies look to innovations for the U.S. economy, maybe we'll see similar product innovation here. But along that front and tying all these comments together, I think we're seeing a change in the way that our banks and our asset managers and our insurance companies are looking at selling to their audiences. We're no longer talking about marketing annuities or marketing life insurance or marketing individual products; we're talking about marketing solutions. And we're looking at how we're using things like predictive modeling to look at which combination of solutions makes us best prepared for retirement and that includes deferred annuities, that includes long-term care insurance, that includes various different elements of the suite of products that we already have available. The nice thing about that, I think, for consumers is I don't need to go out and learn everything about all the different types of products from all the different companies that are available. There's a lot of information out there and if I don't have a background in finance, I don't know kind of where to start, but if someone has done that work for me and can say all right, so I see your situation and I see your financials, I'll look, I know what risks you're exposed to given where you live and the type of work that you do and those sorts of things, your hobbies. Here's a portfolio of solutions for you that will help you manage your retirement risk, I think you should invest here. And that's our role as financial advisers to help people find that product solution set that will get them to retirement and I think that's the really exciting part about the U.S. and the Canadian economies and the Canadian companies here at this point.

TIMOTHY F. HARRIS: Anna.

ANNA RAPPAPORT: Thank you, Tim. I'm very proud of a new study that the Committee on Post Retirement Risk sponsored jointly with the Stanford Longevity Institute. This study, just published, is a guide for employers about putting annuity options, annuitization and income into defined contribution retirement systems. But I want to circle back to a different issue about annuitization. In the United States, there is a very good deal for the public. It is really sad that most Americans aren't even aware of it. It has been repeatedly demonstrated that if you need more income in retirement, claiming social security later is very financially advantageous compared to buying an annuity in the individual market. Yet, many people claim social security early and don't even evaluate the options. We should be working to get everybody to look at their options carefully. My second point relates to inspiring all of you to leave with some homework. Those employers that do want to do something to provide income are finding that the regulators don't make it easy or risk free for them. We desperately need safe harbors for employers and better regulatory support for lifetime income. This was a topic of the ERISA [Employee Retirement Income Security Act] advisory council in 2012, the last year I served. So, let's all work on enabling income options in plans and on getting people to look at their social security options and at least thinking about claiming for later.

ROB BROWN: Anna, before you leave, we had a discussion here a minute ago about people taking lump sums because they're not sure the corporation is going to remain in business and they might not get their pension when they retire.

SALLY HASS: Or government as well, yeah.

ROB BROWN: So do any of these people say one of the reasons I'm taking the earliest OASDI [Old Age, Survivors and Disability Insurance] benefit is because after 2031 it isn't going to be there? I know that's not true but …

ANNA RAPPAPORT: Absolutely. Part of the problem is that there are people that are feeding them misinformation. Some of the people that might be spreading this misinformation should be advising in an impartial way. There are also a lot of issues, and this relates to the annuity issue too, related to advice. Advice is often badly needed, but one of the problems is that under the model under which many financial advisers are paid, they have a disincentive to annuitize. If they annuitize, that takes away some of the income of the adviser, because often they're paid on assets under management. There's research that shows that how you pay people influences what they do.

ROB BROWN: I'll jump in with a personal comment. At the University of Waterloo, if you retire early, you can take a lump sum and that even means if you retire one day early. I have had colleagues, when I was on campus, come to me and say, "Oh, hey, I'm going to retire early and take my lump sum." And I say, "Well, you're an idiot. Why would you do that?" "Oh, well I've got this friend who tells me that I can get so much more than what the pension is going to pay me." This just used to drive me crazy, but those sales people were incentivized highly to get out there and get that money out of the University of Waterloo pension plan as a lump sum, which was terrible advice.

ANNA RAPPAPORT: There's a big problem about advice for the middle class. On the one hand, there's a great (and often unmet) need for advice but on the other hand, not all of it is very good. Another topic the Committee on Post-Retirement Needs and Risks is studying is the options for employers to support advice. The committee is just starting that project now. This is a major issue in our society.

DOUG ANDREWS: Doug Andrews. That was the second part of my comment so I'm glad you've had that discussion, that's an important aspect. But the first part of my comment had to do with the idea of an annuitization. So we have this concept that we have a pool of retirement funds and now we can decide to annuitize some of them, perhaps have a deferred annuity because that's a better way to do it. But in fact, most of people's retirement wealth is in their home and as we've heard previously, people want to age in place. So now we have this major issue of how do we release home equity in order to do other things and from the research that I've done with respect to pricing and home equity products, it's very unattractive from a consumer's point of view. So until we can make significant progress in finding ways to release home equity, I think we're not going to get very far in the annuitization question.

SANDRA TIMMERMANN: I've been doing some work with reverse mortgage companies and there are new regulations issued from the Consumer Financial Protection Bureau. Some companies and academics are doing modeling, particularly Texas Tech, which has a Ph.D. program in retirement planning, which show how reverse mortgages can be used as part of a long-range plan, not as a last resort. An example is taking a line of credit that you could use and then pay back as time goes on while your assets build. I think we have to be open minded because there's a terrible image and much misinformation about reverse mortgages, and the home is still the biggest asset that people have. Studies indicate that older people don't care as much about leaving their home to the next generation as they did in the past. I believe we have to look at using home equity in retirement because boomers, if the savings rate data are true, will need to rely on it. I think the reverse mortgage product, as it is being developed by the progressive companies, is something we have to revisit as financial planners.

TIMOTHY F. HARRIS: Next.

MATT DAITCH: I used to work at TIAA CREF for like 15 years and at the time when I was there, they were the largest 403(b) provider and we used to have a lot of annuitizations and then it started going down and then it almost disappeared. And the main reason was liquidity, it wasn't really any other reason, is that people didn't want to give up the liquidity in case they died after they annuitized, then that whole lump sum they developed would be lost to their beneficiaries. So everyone used to always collect the last survivor foal with a 20-year guarantee period because at least some protection that the beneficiary would get something. However, once you start adding a 20-year guarantee period and you put a last survivor foal, so it’s both annuitance, your income payments start going down and down, and I mean that’s what we felt was the biggest reason. The financial advisers also, because you could recommend mutual funds, and they come up with some plan that will guarantee 90 percent of the time until you’re like 95, so everyone was pushing people to mutual funds. But I think there are some new products out like contingent annuities, I think, which are wrapped in mutual funds or some of the variable funds, which have these guaranteed living withdrawal benefits, which have like a liquidity feature in there and maybe they might be able to reverse that, but we’ve always found liquidity was the biggest issue.

GARY MOONEY: Gary Mooney, again, following up on Rob’s comment about deferred life annuities and specifically deferred to, say, age 85. Financial advisers, when they’re advising their clients who are retiring, tend to be quite conservative about potential for the individual to outlive their assets and individuals also will be quite conservative, and so the problem is that people go through their retirement years with less income than is maybe appropriate and in many cases end up with their capital intact and that doesn’t seem like you know a really good retirement plan. So the idea of eliminating the risk beyond

85 is very appealing and life insurance companies are much better to be managing and investing for that risk than the individual.

Other considerations are that as people age, they perhaps become less capable of managing financial affairs and then that gets transferred to family members who may have a conflict of interest and so on, so there's really, I think, a lot of attraction to having life insurer's deal and even governments perhaps, but entities like that deal with the risk of living beyond a significantly old age and then have people take more responsibility for what happens between whenever they retire and say age 85.

SANDRA TIMMERMANN: It is a woman's issue, too. We have to remember that because the women are the ones who live the longest, they really could benefit from more attention from the financial service community.

ROB BROWN: Yes, we men are very aware of how heavily we subsidize you in the annuity market. (LAUGHTER)

SANDRA TIMMERMANN: But we're worth it, aren't we?

ROB BROWN: Absolutely. (LAUGHTER)

MATT DAITCH: That kind of gets to my question a little bit. I was just curious what you thought about, how the role ERISA plays as far as reducing annuitizations because I know at our company, you know, you had to do unisex rates and if people are married and they do a last survivor foal, then it doesn't matter but if it's single life, we're finding that males didn't really annuitize. And then if you start having a population that's annuitized that was more female, then you'd start skewing your unisex rates to be more female and then that's not that great of a rate for females as it was originally. So I was just wondering like what kind of a role you thought the government, as far as you know not being able to do sex distinct, because you're not supposed to discriminate but it kind of creates a disincentive to come up with rates that are the best for annuitization purposes.

ROB BROWN: Well, one nice side bar to that is that the differential in mortality is narrowing, so it may be a problem that's only temporary.

TIMOTHY F. HARRIS: OK. It looks like we're going to cover all four questions. The fourth question is: To the extent that people need to and are able to work longer, will jobs and the employment relationships be adapted to fit the evolving labor force and how will this be done?

SALLY HASS: I think this is going to be hugely dependent on the adequacy of the talent pipeline and the growth of our economy, so if employers are able to meet their needs for talent with the incoming talent pipeline, I think they're going to be less wanting or willing to adapt to an aging workforce. At one company, we interviewed over 200 employees though to ask them what it would take for them to work longer and clearly the No. 1 requirement for aging workers was simply the desire for a reduced schedule. They were willing to work, 70 percent of the 200 people that we interviewed said they're willing to work longer. Now, what was longer? Was it past age 65? This was pre-retirees that we were interviewing; anyway 70 percent said they were willing to work, to delay retirement, but they wanted a reduced schedule and they wanted flexibility about that schedule. And they really wanted to bend the rules on what the schedule was and not just part-time work, but they wanted to work 10 hours one week, 40 the next, none the next week and so they really wanted a lot more control around the schedule. And it was also interesting that in addition to flexible schedule, many of them also told us they were willing to work longer if they had some input into what work they got to do, so they were excited about the possibility of doing some work that was meaningful to them. And, in terms of modifications to jobs, what we've seen in the workplace taking place already, was for those jobs that require some significant physical effort, we're seeing all kinds of modification to the design of work, including changing the number of hours that people are doing a physical task and then giving them other things that they're doing, so that they're not as physically taxed. In talking with some of the national retailers, one of the things they're talking about, like Wal-Mart and Target and some of the grocery stores, is actually giving checkers, or aging checkers, stools to sit on and mats to stand on. And so there are lots of accommodation that's being done in a variety of industries to try to accommodate older workers but again I think so much of this is going to be dependent on how much our economies are growing and companies are growing, as well as the incoming talent pipeline.

SANDRA TIMMERMANN: Just briefly when you look at layoffs, it always seems to be people who are in their 50s who are then forced into the job market and many of them are managers, from what we found in studies, who really have lost specific, more technical skills. There's a glut of people who are in that manager role, which makes me think that one of the things companies, employers need to do is to focus more on retraining and look at the workforce holistically. I was finding at Met Life as time went on and also with corporate clients, that they weren't focused on older workers, they were focused on the all ages in workforce. I don't know, Sally, you would know better, but it seemed to me that they [were] looking at all the generations in the workforce as a whole and not discriminating between young and old, giving older workers special training. So I think we, as individuals, need to take responsibility for keeping ourselves up to date in our skills because as we get promoted, we may have lost some of the skills that would make us employable later. Rather than hanging on to an old job, if we want to do part-time work with our own employer or somewhere else, I would propose that we try another type of job or be willing to scale back. Older workers might say, for example, that they don’t need to manage 20 people, that they’re willing to be an individual contributor, but if they don’t have the skills for that, it won’t work.

ROB BROWN: I’m going to make a couple quick comments but only to reinforce what’s been said, because the nails have been hit very nicely on the head. One thing you don’t want to have is a pension system that tells the worker that working longer in a transition to retirement is a bad idea. I’m thinking in particular of defined benefit final average plans where the worker draws the conclusion that they can’t go on half time because that’s going to affect their pension negatively. That’s an easy problem to solve as an actuary, but you’ve got to tell people not to worry about that, that’s not going to be a problem. If you want to have people work longer, you have to have appropriate work for them and that’s been said. Wouldn’t it be nice if retirement became known as re-hirement? Flexibility is key, absolutely key, and again that nail has been hit very nicely. Also don't be surprised if your employees would be happy to be "demoted." If they now manage 25 people, don't just say the only job I can think about for them is managing 25 people. That's just dumb; get outside of the box. But that's been said also, so just total reinforcement.

DOUG ANDREWS: Sally talked on the first question about what was key to getting people to work to 72 and beyond was that there was actually enough economic activity and I think that's a critical point. Do we have enough economic activity? When I look at that question, I look at the huge rates of youth unemployment that we have and I think that is a much more serious issue for us in the long term than whether we can continue to employ some other older people for longer. But in terms of tying the two things together, you quoted information from the surveys that you did about what people would like so they could stay on. They said flexibility and reducing time and maybe that's the way to tie things together, because part of the youth unemployment problem is every employer wants two years of experience before we're going to hire you. If we could match up some of these youth with some of these older people that only want to work 70 percent of the time or 10 hours this week and none next week, in a combination job, eventually the older people would retire and the younger people would have the two years of experience and they'd go on to have careers, which is going to be critical if we're going to pay for people's pensions long term on a pay-as-you-go basis.

SALLY HASS: I love that comment because I think more and more our thinking can't be that it's this or it's this, I think it's kind of a "both" end strategy, that we've got to combine some of these strategies and not say, well, we're doing this for this group at the expense of this group. I think we have to look for solutions that cross the entire workforce and all of the generations.

ROB BROWN: I think that's a brilliant idea, Doug, but I want to disconnect one possible bias that that might create. A lot of people have this image that the reason there's youth unemployment is because you've got all these older people up here staying in their jobs because their defined contribution plans aren't working the way they're supposed to or whatever it is and they're holding up employment for the young. There's actually no connection between those two. If you go to the literature, there is no evidence for this "lump of labor" problem. What you have to have is a growing economy. It is not the 61-year-olds who are holding up the hiring of the 22-year-olds. So let's not make that mistaken connection.

GARY MOONEY: Maybe I was going to make that connection, I'm not sure, but 20 or more years ago, there was a lot of talk about how much leisure time we were going to have, huge amounts of leisure time, and there'd be a four-day work week and so on. I haven't heard much about that in the last 20 years but, you know, if people are going to have to work for longer periods, it makes sense that they should have more leisure time during that longer period. So the idea of a four-day work week makes a lot of sense and to the extent then that more people can be employed by reducing the work week, generally, whether that's younger people or seniors that makes sense too, so I mean there's talk now about people having to work for 50 years over their lifetime and that can't be, you know, 49 weeks of work every year and three weeks off, you know. It's just a very poor work/life balance.

LES LOHMANN: Les Lohmann. A little bit of a joke related to what Sally said: It's said that the difference between an extroverted actuary and an introverted actuary is that an extroverted actuary looks at your shoes when he talks to you and it reminds me, Sally is talking about the difficulty of organizing and modeling this you work now, you work here, you work then and I will point out that we already have a working model for that that works extraordinarily well, namely with flight crews. Any work that requires physical presence primarily and absolutely, no thought, my flight crews have been like that, really can be handled with the models and the software that already exists for handling that. It's there, so it's just a matter of looking at someone else's shoes. And I think perhaps someone else mentioned, maybe it was Rob, that, you know, the person doesn't want to have a cut back in their pay, because it's the final average pay plan, ha-ha. In Japan, it's legally permitted that once a person reaches age 55, you can start cutting their pay. Actually I have actuary friends that are now going to the office every day because they'd rather be there than with their wives, at half pay. They've been cut back. Well, the retirement plans anticipate that and, in fact, it's based on the highest pay during their career. Now that is fine in a low inflationary environment, but, you know, in a situation such as we have now where people can observe that the true inflation is far higher than what is being reported, they're not going to be willing to do that, so there is a combination of problems. But, anyway, the software and the model already exists for being able to handle a variety of work situations where people don't work very much.

TOM BAKOS: I guess I'd like to disagree with Rob. I think question two was probably the more interesting question and I think the responses and discussions to questions three and four kind of prove that because question two, as you recall, is who should be responsible for determining a retirement age, a government, employers or individuals and their families and I think the responses we’ve, and the discussion we’ve had so far have made it clear that it’s individuals and their families because retirement is an individual decision. I think when a government or an employer makes the decision, they’re going to make it from their perspective and their point of view. You know, in a government, it’s a political decision, I think, and, Rob, you pointed out some errors made at least on one decision in the Canadian systems and I think we can look to the U.S. also and say that governments don’t often make decisions in the best interests of their citizens. And employers, I think, if employers are making the decision, I think, the best decision an employer can make for the benefit of its stockholders is to work it’s employees to death, because then they get the most out of them and they don’t have any retirement obligations or benefits. So I think the answer is, it’s individuals, and, I think, we have to make a distinction between setting retirement ages globally or for a population and looking at a retirement from an individual perspective. And so maybe not only do you need to define what retirement is, we need to look at a new definition of age. Age is not necessarily, you know, how long you’ve been alive and how many times the earth has circled the sun. Maybe age needs to be adjusted because, I think, as was pointed out before, not all members of a population can physically retire or work at the same time, so maybe we ought to think in terms of developing or designing a health age, or some adjusted age, and that age should be the determination of, you know, how long one works and, you know, when one chooses to retire. I think that's being done now anyway.

TIMOTHY F. HARRIS: We're out of time for this session and it's lunchtime but can we get a couple of quick comments from the panel, closing comments?

ROB BROWN: Great session, thanks, everybody.

TIMOTHY F. HARRIS: OK. (APPLAUSE) Thank you, it's lunchtime.

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