



REFERENCE LIST

June/July 2013

The Impact of Interest Rates on the National Retirement Risk Index

June 2013 - Center for Retirement Research at Boston College

The brief's key findings are:

- The National Retirement Risk Index shows that changes in interest rates have only a modest effect on retirement preparedness for three reasons:
 - Most households have relatively little financial wealth to annuitize.
 - The effect on annuity income is muted, because the principal portion of the annuity payout is unaffected by interest rates.
 - Changes in the annuity income from a reverse mortgage are partly offset by changes in the amount that can be borrowed.

http://crr.bc.edu/wp-content/uploads/2013/06/IB_13-91.pdf

Nobel Winners Are Unsure Investors

June 2013 - Center for Retirement Research at Boston College

How should I invest my 401(k)? Should I take some risks? How about international stock? Investing a 401(k) is a challenge that even some Nobel Laureates in economics wrestle with.

<http://squaredawayblog.bc.edu/squared-away/nobel-winners-are-unsure-investors/>

Earnings Growth: Better at the Top

June 2013 - Center for Retirement Research at Boston College

It's the 1920s all over again for ultra-wealthy Americans reaping gains in the stock market. But most people gauge their well-being by their paychecks, which have shrunk dramatically in recent years.

<http://squaredawayblog.bc.edu/squared-away/earnings-growth-better-at-the-top/>

The Pricing of Mortality-Linked Contingent Claims: An Equilibrium Approach

June 2013 - ASTIN Bulletin

This study introduces an equilibrium approach to price mortality-linked securities in a discrete time economy, assuming that the mortality rate has a transformed normal distribution. This pricing method complements current studies on the valuation of mortality-linked securities, which only have discrete trading opportunities and insufficient market trading data. Like the Wang transform, the valuation relationship is still risk-neutral (preference-free) and the mortality-linked security is priced as the expected value of its terminal payoff, discounted by the risk-free rate. This study provides an example of pricing the Swiss Re mortality bond issued in 2003 and obtains an approximated closed-form solution.

<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=8937259#>

A deed well done: Pensions protected

June 2013 - Market Watch. The Wall Street Journal

The Pension Rights Center, where I serve on the board, has just helped participants in a so-called church plan achieve justice. The Pension Rights Center did not do this alone; former employees and retirees as well as the Internal Revenue Service and the Pension Benefit Guaranty Corporation (PBGC) played important roles. This is a good-guys versus bad-guys story, and the good guys won. This outcome doesn't happen often, so we should tout success when it occurs.

<http://blogs.marketwatch.com/encore/2013/06/26/a-deed-well-done-pensions-protected/>

Participating Payout Life Annuities: Lessons From Germany

June 2013 - ASTIN Bulletin

This paper analyzes the framework of German participating payout life annuities (PLAs), which offer guaranteed minimum benefits as well as participation in insurers' surpluses. We show that the process of sharing surpluses between shareholders and policyholders follows transparent and consistent rules. Subsequently, we develop an asset-liability model for a stylized German life insurer that offers PLAs to evaluate benefit variability and insurer stability given stochastic mortality and capital market developments. Our results suggest that guaranteed benefits can be provided with high credibility via PLAs, while, at the same time, annuitants receive attractive money's worth ratios. Moreover, we show that it might be difficult to offer a fixed benefit annuity providing the same lifetime utility as a PLA for the same premium and a comparably low insolvency risk. Overall, PLA schemes may be an efficient way to deal with risk factors that are highly unpredictable and difficult to hedge over the long run, such as systematic longevity and investment risks.

<http://journals.cambridge.org/action/displayAbstract?fromPage=online&aid=8937271>

Let's raise Social Security taxes now

June 2013 - Market Watch. The Wall Street Journal

The most recent report from the Social Security trustees was virtually unchanged from last year and showed a 75-year deficit equal to 2.72% of taxable payrolls. That figure means that if payroll taxes were raised immediately by 2.72 percentage points – 1.36 percentage points each for the employee and the employer – the government would be able to pay the current package of benefits for everyone who reaches retirement age at least through 2088. Alternatively, benefits would have to be cut by 16.5%– or by 19.8% if the reductions were limited only to new beneficiaries.

[\(http://blogs.marketwatch.com/encore/2013/06/19/lets-raise-social-security-taxes-now/\)](http://blogs.marketwatch.com/encore/2013/06/19/lets-raise-social-security-taxes-now/)

401(k)s Stall, Post-Auto Enrollment

June 2013 - Center for Retirement Research at Boston College

The retirement fix has worked for the employers that automatically enrolled their employees in the company 401(k) plan. But the big gains from this innovative plan design have already been achieved.

[\(http://squaredawayblog.bc.edu/squared-away/401ks-stall-post-auto-enrollment/\)](http://squaredawayblog.bc.edu/squared-away/401ks-stall-post-auto-enrollment/)

Brazilian pension funds go global

May 2013 - Financial Times

As little as a year ago, Brazil's greatest concern was the currency war – a tsunami of international funds that it believed was threatening to inundate its financial markets and those of other emerging countries. Now, Brazilian real interest rates have fallen so low that, in a dramatic reversal, the country's own pension funds are looking abroad. While their initial offshore investments will not amount to anything like a tsunami, it marks the start of what may prove to be an important step in the maturing of Brazil's financial industry.

<http://www.ft.com/intl/cms/s/0/c7b7bfea-b730-11e2-a249-00144feabdc0.html#axzz2XT97Lla5>

Exchanging Delayed Social Security Benefits for Lump Sums: Could This Incentivize Longer Work Careers?

May 2013 - The National Bureau of Economic Research

Social Security benefits are currently provided as a lifelong benefit stream, though some workers would be willing to trade a portion of their annuity streams in exchange for a lump sum amount. This paper explores whether allowing people to receive a lump sum as a payment for delayed retirement rather than as an addition to their lifetime Social Security benefits might induce them to work longer. We model the factors that influence how people trade off a Social Security stream for a lump sum, and we also examine the consequences of such tradeoffs for work, retirement, and life cycle wellbeing. Our base case indicates that workers given the chance to receive their delayed retirement credit as a lump sum payment would boost their average retirement age by 1.5-2 years. This will interest policymakers seeking to reform the Social Security system without raising costs or cutting benefits, while enhancing the incentives to delay retirement.

<http://www.nber.org/papers/w19032>

Proactive and preventive actions contribute to more effective social security system

June 2013- International Social Security Association

The old adage “prevention is better than cure” should be the watch word for all aspects of social security – not just in medical or occupational health and safety areas. That promoting a wider proactive and preventive culture is steadily gaining credence in social security systems is evidenced by the good practices entered by ISSA member organizations for the competition for the ISSA Good Practice Award for Europe 2013: proactive and preventive measures have been implemented in unemployment, pension and family benefit schemes as well as in health and work injury schemes.

[\(<http://www.issa.int/News-Events/News2/Proactive-and-preventive-actions-contribute-to-more-effective-social-security-systems>\)](http://www.issa.int/News-Events/News2/Proactive-and-preventive-actions-contribute-to-more-effective-social-security-systems)

The pot is half full

June 2013 - The Economist

PROMISES are easy to make, but difficult to keep. This is especially the case with pensions, where an 18 year old worker can be promised a benefit that still might be paying out 80 years later. Many states have offered pensions to workers who can retire at 50 or 55 and who might spend longer as a retiree than as a worker

[\(<http://www.economist.com/blogs/buttonwood/2013/06/pensions-0>\)](http://www.economist.com/blogs/buttonwood/2013/06/pensions-0)

The Funding of State and Local Pensions: 2012-2016

July 2013 - Center for Retirement Research at Boston College

The *brief's* key findings are:

- During 2012, using current GASB standards, the funded status of public plans declined slightly from 75 percent to 73 percent.
- This decline reflected slow asset growth, which was only partly mitigated by reduced liability growth.
- States and localities also continued to fall short on their annual required contribution payments.
- Going forward, the funded ratio is projected to gradually move above 80 percent, assuming a healthy stock market.

[\(\[http://crr.bc.edu/wp-content/uploads/2013/07/slp_32.pdf\]\(http://crr.bc.edu/wp-content/uploads/2013/07/slp_32.pdf\)\)](http://crr.bc.edu/wp-content/uploads/2013/07/slp_32.pdf)

G20 Task Force on Employment. Addressing employment, labour market and social protection challenges in G20 countries: Key measures since 2010

July 2013 - International Labour Organization

The report provides an overview of policies and measures applied, or significantly modified, by G20 countries from 2010 up to early 2013 in seven areas: job creation, labour market policies, social protection, skills development, quality employment, youth employment and women's economic participation. Prepared by the ILO and OECD for the Meeting of G20 Labour and Employment Ministers Moscow, 18–19 July 2013.

http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_217544.pdf

DB – not going anywhere soon

July 2013 - Pensions World

Legacy issues around defined benefit (DB) schemes will persist for decades longer than expected, and people who have not even been born will spend their careers working on DB, according to the Pensions Management Institute (PMI). The Institute has issued a statement on the subject to clear up what it sees as a common misapprehension.

It said that predictions that buyouts would generally be completed within 25–30 years are hugely optimistic, and that the reality is closer to 50 years.

<http://www.pensionsworld.co.uk/pw/article/db-%E2%80%93-not-going-anywhere-soon-12327031>

What a Bankrupt Detroit Teaches Us About Investing

July 2013 - The Motley Fool

In 1948, Secretary of Commerce Charles Sawyer called Detroit's automobile industry "a symbol of the way in which the American economy could best provide the average American with a steadily increasing abundance of the things he wants and needs." Two weeks ago, Detroit filed for bankruptcy.

But the largest driver of Detroit's demise is a simple, startling fact: The city's population declined 65% in the last six decades. No city can survive such an exodus. It's actually amazing Detroit's finances lasted this long.

<http://www.fool.com/investing/general/2013/07/30/what-a-bankrupt-detroit-teaches-us-about-investing.aspx?source=isesitlnk0000001&mrr=1.00>

Design and Delivery of Defined Contribution (DC) Pension Schemes

Policy challenges and recommendations

March 2013 - OECD

Retirement saving pension plans (e.g. defined contribution plans) are increasingly an integral part of most countries' overall pension system, while for some countries they are the main component of their pension system. Therefore, overall retirement income adequacy greatly depends on the pension benefits stemming from these plans.

This roadmap identifies elements of good design and public policy to assist countries to strengthen retirement income adequacy in an environment where pension benefits result from assets accumulated during working life.

<http://www.oecd.org/daf/fin/private-pensions/DCPensionDesignHighlights.pdf>

Belgium: Enhancing the Cost Efficiency and Flexibility of the Health Sector to Adjust to Population Ageing

June 2013 - OECD

Belgium has a good record in delivering accessible care, but adaptation to population ageing will be complicated by the fragmentation of responsibilities in the healthcare system and a strong reliance on government regulations. The organization of the system could be rationalized by giving sickness funds a more active role as promoters of cost-efficiency, better aligning the incentives of the different levels of government and focusing on medium-term budgeting. At the level of care providers, better information flows and incentive structures could facilitate addressing practice and efficiency variations and supplier-induced demand.

http://www.keepeek.com/Digital-Asset-Management/oecd/economics/belgium-enhancing-the-cost-efficiency-and-flexibility-of-the-health-sector-in-belgium-to-adjust-to-population-ageing_5k44ssnfdnr7-en

New Brunswick's New Shared Risk Pension Plan

July 2013 - Center for Retirement Research at Boston College

The *brief's* key findings are:

- Under financial pressure, U.S. state and local pension plans have curbed future benefit costs. But these changes have been ad hoc and unexpected.
- New Brunswick's new Shared Risk model is designed to respond to shocks in a more orderly and predictable way and to help head off trouble in advance.
- The model's key features are:
 - splitting benefits into "base" and "ancillary" components;
 - laying out detailed steps in advance for adjusting benefits and contributions; and
 - creating a risk management framework to help keep plans on track.

http://crr.bc.edu/wp-content/uploads/2013/07/slp_33.pdf

Family Welfare Cultures

July 2013 - The National Bureau of Economic Research

Gordon Dahl, Andreas Kostol, and Magne Mogstad examine the relationship between a parent's receipt of disability insurance (DI) and the use of the same program by adult children. They use Norwegian data and focus on variation in parents' DI receipt that is due to variation in the DI system, rather than in the parents' conditions. Five years after a parent becomes a DI recipient, the probability that their adult child is also a DI recipient is six percentage points higher than that for adult children who do not have a parent receiving DI.

http://www.nber.org/papers/w19237.pdf?new_window=1

How Does Women Working Affect Social Security Replacement Rates?

July 2013 - Center for Retirement Research at Boston College

The *brief's* key findings are:

- For married households, the amount of pre-retirement income replaced by Social Security depends on the labor force activity of both spouses.
 - At the high end, couples with a non-working spouse get the replacement rate from the worker's benefit and from a spousal benefit.
 - At the low end, couples with two working spouses and identical earnings get the same replacement rate as an individual worker.
 - In the middle, couples see their replacement rate fall as the lower earner's wages rise.
- As women go to work, replacement rates decline.
 - They have dropped from 47 percent for those born early in the Depression to 42 percent for Early Boomers.
 - By the time that Generation Xers retire, replacement rates are projected to fall by an additional 5 percentage points.
- In addition to women working, Social Security's rising Full Retirement Age has also contributed to falling replacement rates.

http://crr.bc.edu/wp-content/uploads/2013/07/IB_13-10.pdf

Retirement: You're Richer Than You Think

July 2013 - Forbes

The investment bank UBS made waves this week with a report that defines "wealthy" as having more than \$5 million and at least \$1 million in cash.

Sounds crazy, but that's really the wrong way to look at retirement. You don't need \$5 million to retire well. You might not even need \$1 million. And you definitely don't need \$1 million in cash.

<http://www.forbes.com/sites/mitchelltuchman/2013/07/25/retirement-youre-richer-than-you-think/>