

### *Society of Actuaries' Research Report Focuses on Retirement Income Generator Options*

SCHAUMBURG, Ill., Sept. 25, 2013 /PRNewswire-USNewswire/ -- Retired workers can easily spend assets at an unsustainable rate when there is no retirement income plan in place, which further exposes them to inflation risks, market volatility and the risk of outliving their assets. While employer sponsored retirement income options are not yet widespread among defined contribution plans, employers are in an advantageous position to help their retiring employees by offering retirement income options. The Society of Actuaries (SOA) and the Stanford Center on Longevity released the research report, "The Next Evolution in Defined Contribution Retirement," to equip employers with more information about retirement income generators.

The report provides employers and plan sponsors with a roadmap on how and why to implement a retirement income program. The report identifies annuities and systematic withdrawals as retirement income generators to consider, as they produce higher amounts of retirement income than simply investment income.

"It is important for people to evaluate all of their options for a lifetime paycheck and to set clear goals of what their retirement plans need to achieve," said actuary Steve Vernon, FSA, MAAA, consulting research scholar for the Stanford Center on Longevity. "Different retirement income methods produce significantly different amounts of income depending on the method chosen. Employers can help retiring employees understand the pros and cons of each method as well as the amount of retirement income, so retiring employees can make informed decisions."

As part of the SOA's report, Dr. Wade Pfau of The American College, developed stochastic forecast models on the tradeoffs of the different retirement income generators. The analysis shows that various retirement income generators produce significantly different amounts of income throughout retirement, and react differently to favorable and unfavorable economic scenarios.

"Using risk models, actuaries can provide employers and retirees alike with insights on the significant outcomes and risks for retirement plans in a down market," said SOA President Tony a Manning , FSA, MAAA, EA, FCA. "There is a clear opportunity for employers to help their workforce prepare for the future and this report is designed to inform employers of the retirement plan options."

A retirement income program might be a low-cost benefit improvement that delivers significant value to older workers. By offering retirement income solutions with institutional pricing instead of retail pricing, employers can significantly increase the amount of retirement income that their employees may receive. Employers will benefit from offering retirement income options through enhanced reputation as a desired employer and corporate citizen, improved worker morale and lower administrative costs, among other benefits.

"A cultural shift is needed to get employers and plan sponsors to include retirement income options as part of defined contribution plans," said actuary Anna Rappaport, FSA, MAAA, and Chair of the SOA's Committee on Post-Retirement Needs and Risks. "The report discusses retirees' needs and plan sponsors' concerns for building a retirement income mechanism to prevent outliving assets."

Two of the largest barriers for employers and plans sponsors to add retirement income solutions are administrative complexity and fiduciary concerns. The features of the retirement income generators will vary depending on risk tolerance, economic optimism/pessimism, life expectancy and self-discipline with spending. The report provides plan sponsors with an outline so that they can design a retirement income program and a checklist of questions to ask retirement income providers. It also includes information on administrative and design considerations, issues with offering default retirement income solutions and discussion points on fiduciary liabilities from prominent Employee Retirement Income Security Act (ERISA) attorneys.

For the full report, "The Next Evolution in Defined Contribution Retirement," visit <http://www.soa.org/Research/Research-Projects/Pension/research-2013-next-evol-dc-design.aspx>

**About the Society of Actuaries** The Society of Actuaries (SOA) is an educational, research

## Actuaries Encourage Employers to Consider Offering Retirement Income Programs

Written by Australian Business

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and professional organization dedicated to serving the public, its members and its candidates. The SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal problems. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk. Visit <http://www.soa.org> .

**About the Stanford Center on Longevity** The Stanford Center on Longevity's mission is to redesign long life. The Center studies the nature and development of the human life span, looking for innovative ways to use science and technology to solve the problems of people over 50 and improve the well-being of people of all ages. Visit <http://longevity3.stanford.edu/>

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