



2007 ASNY Annual Meeting

Aging Society: Employer Challenges and Issues

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Employer response to the aging workforce



- Importance of workforce analysis/problem identification and planning
- New work options
- Phased retirement
- Benefit plans that meet emerging needs
- Addressing post-retirement needs



Employer roles in retirement security



- Automatically provided benefits – no choice
- Options in plans
 - Defaults
 - Available options
- Employer as purchasing agent
- Advisor
- Educator
- Information resource center
- Facilitator of networks of employees



What messages retirees should receive at retirement



- Importance of having a longer-term planning horizon
- Impact of earlier vs. later retirement
- Variability and potential length of lifespan
- Information on how to translate lump-sum into regular income and options about how to provide regular income
- For couples, issues relating to needs of survivor
- Importance of long-term care
- How to think about whether buying risk protection products is a good idea
- Basics re investing in retirement and alternatives for getting advice



What information or advice might employers give?



- Information about own plans
- And in addition
 - Basic information on life span, income alternatives, risks
 - Heavily promote longer planning horizon, need to manage risk, questions to ask in thinking about alternatives
 - Good example of how to translate income into lump sums and the other way around
 - Understanding and buying financial products – general information and how to
 - Things to think about in choosing planning software
 - Things to think about in choosing advisors



Developing/finding the information



- Suggest that DOL might partner with not-for-profits to offer information or might suggest not-for-profit sources
- Taking the Mystery Out of Retirement Planning – could be model
- For financial product background: Best option would be Buyer's Guides from source like NAIC or a DOL/NAIC partnership
- WISER/Actuarial Foundation – Making Your Money Last a Lifetime -- example of other outside materials
- Actuarial Foundation probably happy to help with another project



Advice and employers: what's the right answer for me?



- For many retirement income issues – no agreement on “right answer”
- Decisions involve trade-offs
- Advancing our knowledge -- Society of Actuaries issuing RFP this fall to develop “scenarios” -- looking at solutions for the post-retirement period
- More research -- Society of Actuaries with LIMRA and INFRE – doing survey to understand the investment and risk management decisions of recent retirees
- For today – recognize the reality that the answers depend on personal priorities



What else can employers do?



- Recognize that education has limits
- Focus on default options and what happens to people who do not choose: much has been done on enrollment and investment, need to think about distributions next -- SOA issuing call for papers on this topic, due next September
- Group purchasing of financial products -- better price and on terms for risk protection products
- Dream – financial products that offer a risk protection portfolio
- Offer good employment options to people who want to stay longer but a different employment commitment – think about phased retirement
- Make planning tools available
- Explore community resources to help support messages



Definition of Phased Retirement



- Allows mature workers to work on reduced or modified basis before retirement (phasing pre-retirement)
- Allows rehire of retirees (phasing post-retirement)
- Modified work may mean change of schedule, place or duties
- May enable workers eligible for retirement to collect some portion of their pension benefits as they continue work
- Can be formal or informal arrangement
- Includes working for former employer or a different employer



Who are the stakeholders and why?



- Individuals – age 50 and up
 - Need good employment options
- Employers and shareholders
 - Need talent and good results
- Public at large
 - Need a well functioning economy and as consumers, depend on having good products and services



Building the case for phased retirement: The work and retirement experience



- More than 7 in 10 people say they want to work in retirement
- About 4 in 10 people retire earlier than planned
- People say they want to work longer
- Many work after “retirement”
 - Often part-time or part-year
- Of those who are not in labor force at 50-61
 - 67% of men are disabled
 - 40% of women are disabled



Building the case for phased retirement: Need new work/retirement experience



- New job options and innovative practices are needed
 - Relationship alternatives
 - Restructuring of duties
 - Scheduling alternatives
 - Place alternatives
- Older displaced workers take longer to get jobs
- Other research indicates that older applicants get fewer call backs
- Future: unknown effect of longer work on retirement patterns



What employers can do: Making phased retirement work



- Employer options after the PPA
- Best option for phased retirement
- Phasing a little vs. phasing a lot
- Examples: bank teller and research scientist
- Examples: Bon Secours and YourEncore
- Contracting issues
- Defining your talent needs



Employer options after the PPA



- Pension Protection Act allows pensions from defined benefit plans to be paid after age 62 to people still working
 - Only applies to “general programs” that are offered in qualified plan and meet non-discrimination rules
- Not a major change
 - More phased retirement involves rehiring retirees
 - Age 62 is “too late” for some organizations
 - Preference in some organizations to “pick and choose”
- Legal situation today
 - Continued uncertainty surrounding retiree rehire
 - Don’t know what regulations will say
 - No change for people with only defined contribution plans



Best option for phased retirement



- Matched to organizational talent needs - jobs first, money second
- Structuring a program
 - Formal vs. informal program?
 - Available to all or on selective basis?
 - Phasing pre-retirement, post-retirement, or both?
 - Offer options to phase a little, phase a lot, or both?
 - Types of flexibility
 - Job design, work time and location
 - How long should someone be allowed to phase?
 - Pay and benefits



Phasing A Little vs. Phasing A Lot



Phasing a little

- Usually regular schedule - reduced somewhat
- Regular employee with ongoing commitment, predictable income and health benefits
- Unlikely to get pension payments
- Modest total flexibility and same work options as offered to employees generally

Phasing a lot

- Many schedule options including on-call, pool, seasonal work, job-sharing
- Most likely temporary or consultant; may not have regular commitment or salary, unlikely to have health benefits
- Likely to get pension payments
- Lot of flexibility and probably different work options



Example: Bank teller



Phasing pre-retirement

- Works 3 or 4 days per week on regular basis as regular employee
- Works at regular work location
- In future can be paid partial pension after age 62

Phasing post-retirement

- Work as fill-in during vacations or on-call during the year
- Work as temporary or through a retiree pool
- In a bank with multiple branches, may work at different locations
- Paid pension and appropriate compensation for work performed



Example: Research scientist



Phasing pre-retirement

- Move out of management role, take on mentoring of selected people and reduce number of projects
- Paid salary on pro-rata or agreed basis, rather than by project
- Potential for flexibility with regard to schedule, location and duties
- Could be paid partial pension after age 62 in addition to salary; at present, such payment is unlikely

Phasing post-retirement

- Serve as advisor, trainer, or team member on specific projects
- Paid pension and either partial salary, or paid by hour or project
- Time commitment as agreed on
- Potential for a lot of flexibility of place



Example: Bon Secours Richmond Health System



- Flexible work options commonplace—1/3 of 6,000+ employees work part-time
- Three methods of phasing into retirement
 - Retire at 65, but continue working part-time (to 24 hrs/wk) while collecting full pension
 - Work past 70.5 and get pension check regardless of schedule
 - Retire and return after 3 months absence—continue to collect pension
- Pension credit continues if 1000+ hours of work
- Health benefits offered if 16+ hours worked per week
- Of 165 employees over age 65, 60 have chosen phased retirement



Example: YourEncore



- Independently owned innovation and consulting company
- Corporate network—18 companies including Proctor & Gamble, Eli Lilly & Co, Boeing, General Mills, etc.
- Talent network—as of September 2006—1450 registered experts
 - 30% had at least one project in last year
- Experts are employees of YourEncore
- YourEncore provides brains, not just hands
- YourEncore manages projects
- Experts paid hourly and set schedules with YourEncore



Conclusions



- Aging society raises many issues for employers
- Areas of response
 - Planning for talent management
 - Helping employees retire appropriately
 - Phased retirement
- Lots of opportunity to do better