

**ANNA RAPPAPORT CONSULTING**  
STRATEGIES FOR A SECURE RETIREMENT<sup>SM</sup>



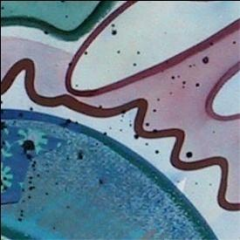
**Setting the Stage: Research Findings on  
Work, Income and Older Americans**

Presentation by Anna Rappaport, FSA, MAAA  
BNA Webinar – September 2012



# Agenda for Today

- Setting the stage – Where are we today? (Anna)
- Defining the issues for employers and employees (Sally)
  - Perspective on retirement
  - Workforce trends and Case Study re response
  - Benefits to employer
  - Business case
  - Relationship of retirement and career planning
  - Role of work in retirement
- Fitting benefit plans and work options together (Ethan)
- Legal and business issues (Chantel)
  - Health benefits and the Affordable Care Act
  - Hiring and rehiring retirees
- Recommendations



# Situation in 2012

- Many Americans nearing retirement have inadequate resources
- Retiring later or working in retirement – potential solution for some
- Social Security monthly benefits – 75% higher monthly income at 70 compared to age 62, but majority claim early
- In 2012, Social Security is 50% of household income for men 65 and over and 54% for women – increases to 58% for widowed women 65 and over
- More than 25% of Americans work over age 60, few beyond age 70
- Unemployment is a major issue, but there still are pockets of skill shortages
- Challenge – support work at higher ages, and help enable it while meeting business needs



# Moving Gradually into Retirement

## No Standard Definition of Phased Retirement

### Before retirement from long service job

- Reduce schedule
- Change duties and/or place of work
- Collect partial pension – not usually
- Formal vs. informal arrangement

### After retirement from long service job

- Work for same employer:
  - Maybe as contractor
  - In retiree pool
  - Limited schedule
- New job
- Set up own business
- Collect pension if one is provided



# 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



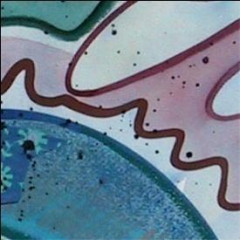
# Example: Bank teller

## 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, but seems unlikely

## 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 location



## Why Americans Want to Work Longer: 2010 Median Household Income and Poverty Status by Sex for Individuals age 65 and Over

	Income for Men	Income for Women	Poverty Rates for Men (%)	Poverty Rates for Women (%)
All	\$44,390	\$33,150	5	9
Married	49,720	46,990	3	3
Widowed	30,700	23,190	6	12
Divorced	33,160	25,320	8	13
Separated	35,080	21,470	20	22
Never Married	27,610	22,890	7	20

Source: GAO Report GAO-12-699, Retirement Security: Women Still Face Retirement Challenges, from Tables 12 and 13 which are based on GAO analysis of SIPP data, July 2012





# How and When We Retire

## Pre-retirees expect to retire later than retirees

At what age did/do you expect to retire from your primary occupation?  
(Retirees retired from primary occupation, 2011 n=765; Pre-retirees expecting to retire, 2011 n=498)

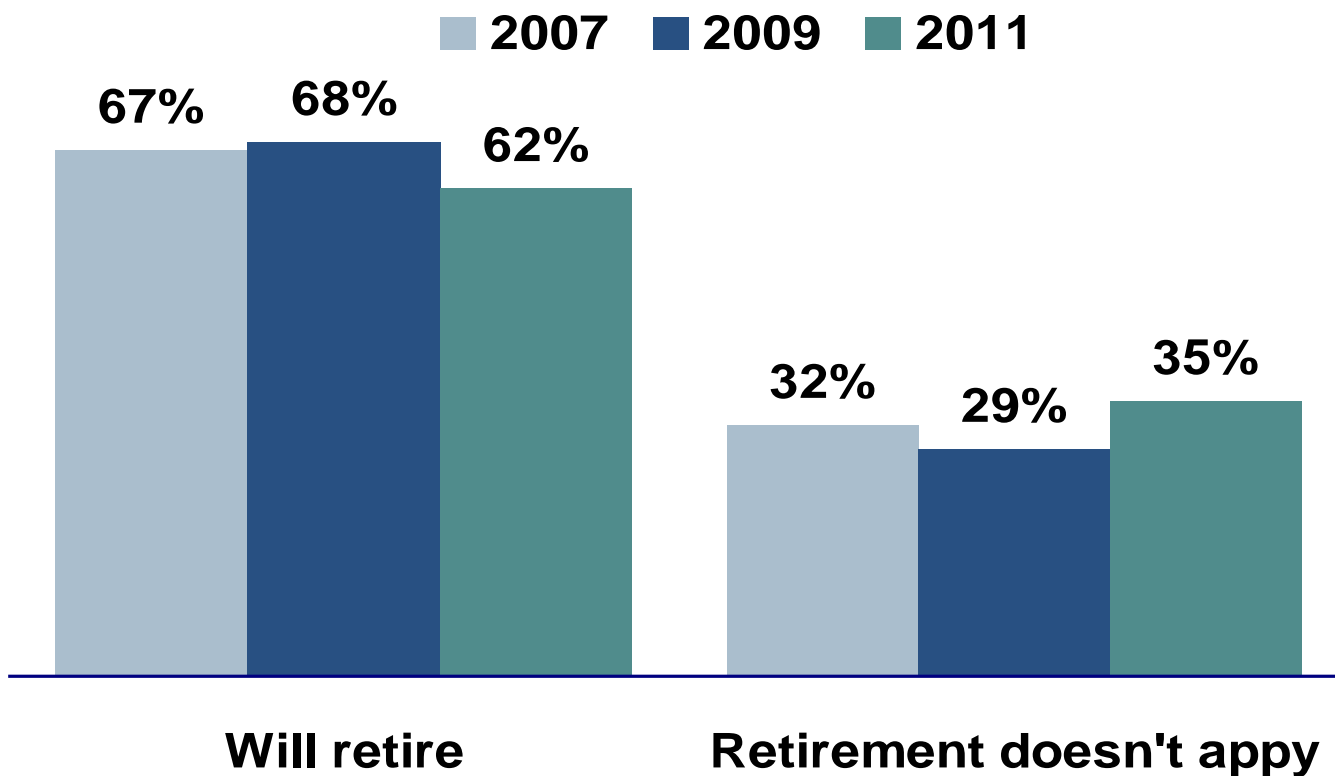
Age category	2009 Retirees (%)	2011 Retirees (%)	2009 Pre-retirees (%)	2011 Pre-retirees (%)
Under 55	28	31	1	1
55 to 61	33	30	24	21
62 to 64	20	21	16	16
65 to 67	12	12	35	38
68 or older	4	4	16	17
Don't know	2	2	8	7

Source: Society of Actuaries, 2009-2011 Risks and Process of Retirement Survey

# How and When We Retire

## More than one in three pre-retirees feel retirement won't apply to them

Do you think there will come a time when you begin to think of yourself as retired or doesn't retirement really apply to your situation?  
(Pre-retirees, 2011 n=800)



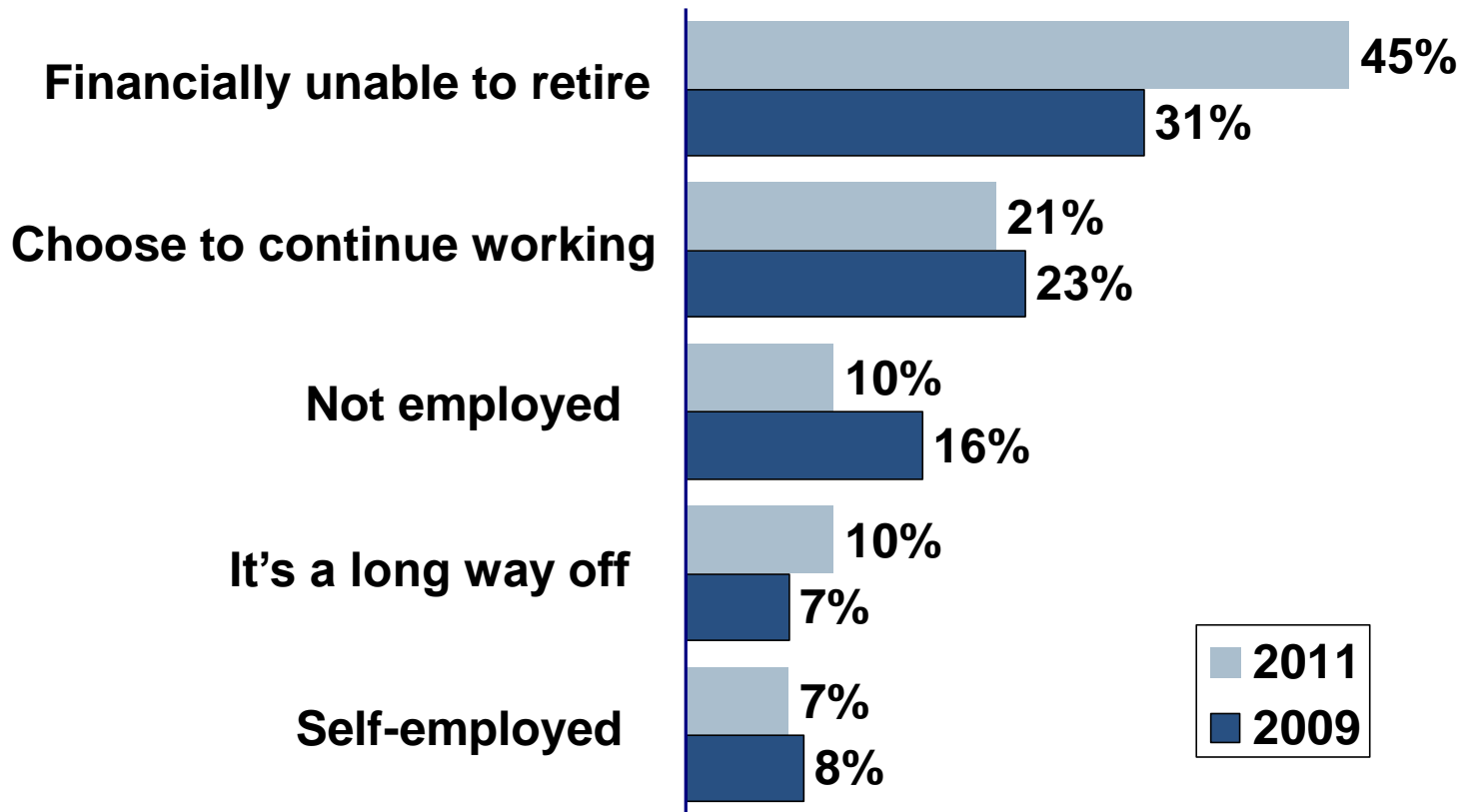
Source: Society of Actuaries, 2007-2011 Risks and Process of Retirement Surveys



# Why Retirement Does Not Apply

## Mostly this is due to finances or desire to continue working

Why do you say that? (Open-ended question)  
(Pre-retirees, 2011 n=302)

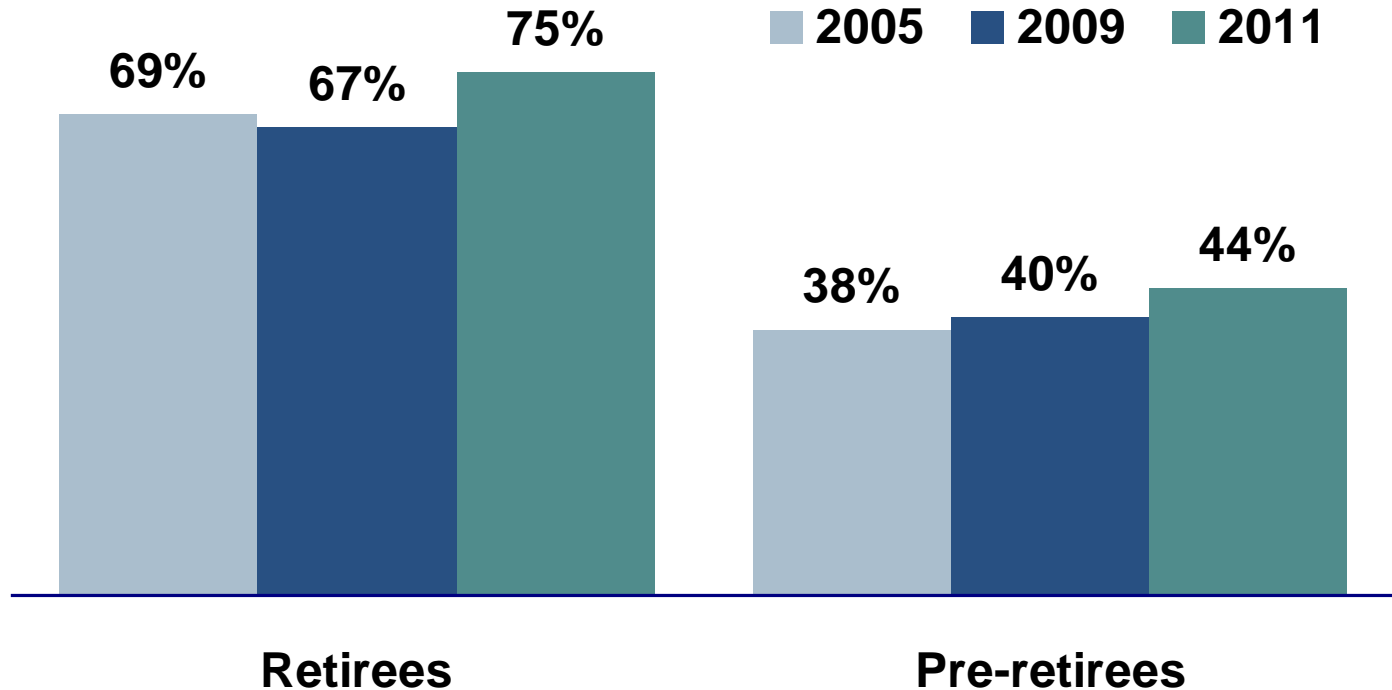


Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey

# Work as Part of Retirement

## Less than half of workers plan on stopping work “all at once”

Which statement comes closest to describing how you retired/plan to retire from your primary occupation? (Percent saying stopped/will stop work all at once) (Retirees retired from primary occupation, 2011 n=762; Pre-retirees expecting to retire, 2011 n=497)



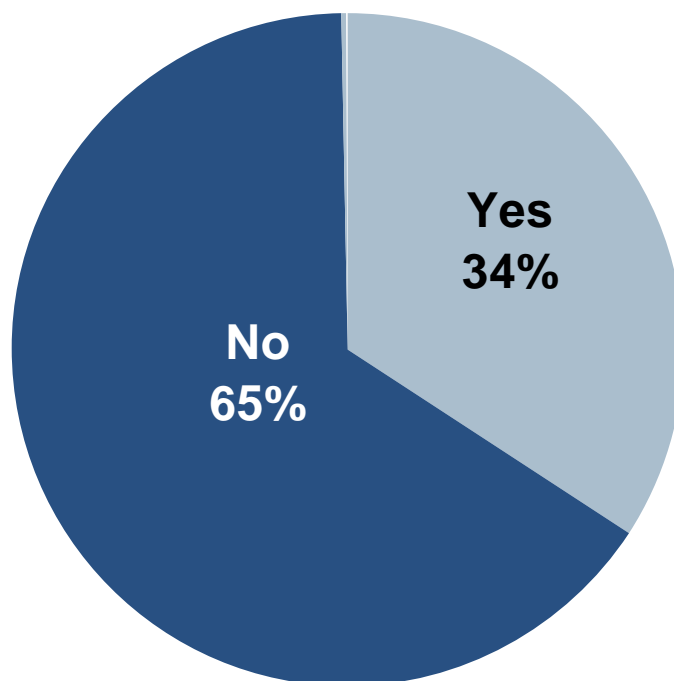
Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey



# Work as Part of Retirement

## One-third of retirees who stop all at once return to work

After you retired, did you ever return to paid employment?  
(Retirees stopping work all at once, n=579)



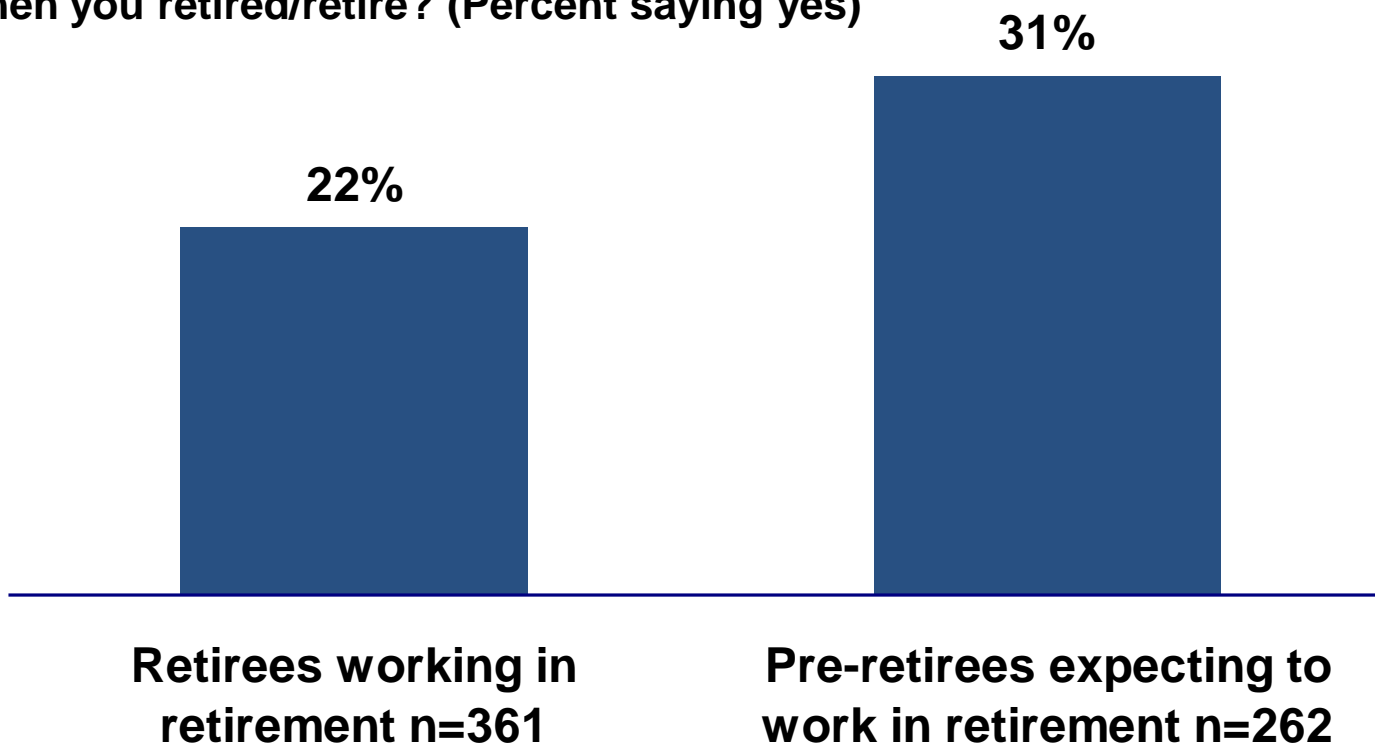
Source: Society of Actuaries, 2011 Risks and Process of Retirement Survey



# Work as Part of Retirement

## 3 in 10 pre-retirees expecting to work in retirement plan to start a small business

Did you/do you plan to start a small business or become self-employed when you retired/retire? (Percent saying yes)



Source: Society of Actuaries, 2009 Risks and Process of Retirement Survey

Concern: Are retirement savings being used to start business?  
It is important to remember that many small businesses fail.



# What changes during retirement

## What changes by age: Median total income and reliance on Social Security

	Age 65-69	Age 70-74	Age 75-79	Age 80+
Median Total Income				
Married	\$47.3	\$39.9	\$33.3	\$30.6
Not married	\$19.0	\$16.1	\$15.9	\$14.7
Percent relying on Social Security for more than				
50% of income	41%	55%	63%	71%
90% of income	20	27	32	37

Note: Income is in thousands

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit III, Society of Actuaries Living to 100 Monograph, 2011



# Employer Implications

- Many people want to work longer than retirees did
- Plans often do not recognize earlier than planned retirement
- Valuable talent pool – available
- But, different job options might work best
- Without employment opportunities for this group
  - Economy will hurt
  - Social program costs will rise
  - More people will be helping parents





# Women are More Often Alone

## What changes by age: Percentage of individuals by marital status, sex and age

	Age 65-74	Age 75-84	Age 85 +
MALES			
% Married	78%	74%	60%
% Widowed	8%	17%	34%
FEMALES			
% Married	57%	38%	15%
% Widowed	26%	52%	76%

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VI, Society of Actuaries Living to 100 Monograph, 2011



# Employment Rates by Age and Sex 2011 (%)

Ages	Men			Women		
	— Non-hispanic White	— African American	- Hispanic	— Non-hispanic White	— African American	- Hispanic
55-61	72	58	68	64	55	52
62-64	52	35	46	44	34	36
65-69	36	26	31	26	25	23
70+	15	13	15	8	7	7

Source: Urban Institute Program on Retirement Policy calculations from the Current Population Survey

# What changes during retirement

## Division of Life Expectancy (in years) by Health States (U.S. Data)

Age	Non-Disabled	Mild or moderate disability	More severely disabled	Total Life Expectancy
<b>MALES</b>				
65	12.34	1.50	1.50	15.33
75	6.77	1.37	1.61	9.76
85	2.89	1.04	1.75	5.68
95	.81	.61	1.91	3.34
<b>FEMALES</b>				
65	13.65	2.97	2.83	19.44
75	6.99	2.55	2.96	12.50
85	2.47	1.74	3.03	7.24
95	.52	.78	2.54	3.84

Source: Rappaport, Anna, Risk Management Issues for Individuals with Special Emphasis for Women, Exhibit VIII, Society of Actuaries Living to 100 Monograph, 2011



# Employer Implications

- Work more likely prior to age 70
- Women much more likely to be alone – hurting economically and more likely to need to work
- Women likely to have longer periods of disability in old age
  - Long term care insurance more valuable for them
  - They still have longer periods of expected good health than men



# Recommendations

- Policymakers: Provide safe harbors to facilitate rehiring retirees –
  - Consider ERISA rules, requirements re independent contractors, etc.
- Policymakers: Change Medicare secondary rules to support phased retirement
- Maybe trade and professional associations: Develop toolkits to help employers and employees with challenges of building a third age career
- Employers: recognize that gradual move to retirement is good for employers and employees
  - Formal phased retirement can be complex, but
  - Think about part-time work options
  - Rehire (or hire) of retirees