

American Academy of Actuaries Public Interest Committee

*The Academy's mission is to serve the public on
behalf of the United States actuarial profession.*



Preview

- The creation of the Public Interest Committee
- Advocacy decision-making model
- First profession-wide advocacy statement
- Other public interest issues
- Your role as an actuary



Events Leading to Creation of the Public Interest Committee

- Membership survey encouraged the Academy to become more visible in public policy while maintaining its reputation as a source of objective analysis [October 2006]
- Critical Review of the U.S. Actuarial Profession (CRUSAP) recommended speaking out on actuarial elements of major public policy issues [December 2006]
- North American Actuarial Council (NAAC) issued statement recognizing the importance of identifying, protecting and advancing the public interest [April 2007]
- These ideas were woven into all levels of the new Academy strategic plan [September 2007]



Strategic Plan and the Public Interest

- Mission:

The Academy's mission is to serve the public on behalf of the United States actuarial profession

- Vision:

Proactively identifies and addresses issues on behalf of the public in matters where actuarial science provides a unique understanding

- Strategic goals:

Be an effective voice advocating for the public on appropriate topics in the public interest

- Strategic initiatives:

Create the Public Interest Committee



Advocacy Position Decision Model

- Intended to be used by the Public Interest Committee in the process of developing and disseminating public policy statements on behalf of the American Academy of Actuaries
- Designed to complement the Academy's "Guidelines for Making Public Statements"
- Model consists of five levels of questions



Advocacy Decision-Making Model

- Level 1: Qualifiers:

Is the issue significant enough to justify the use of Academy resources?

- Level 2: Clarifiers:

What quality content can we deliver?

- Level 3: Justifiers:

Why bother?

- Level 4: Implementers:

How do we make the statement?

- Level 5: Screeners:

What is the risk? What is the reward?



Statement on Social Security

- Process of developing the position statement
- Highlights of the statement
- Reaction to the statement



Statement on Social Security: Development

- Academy's Pension Practice Council drafted and referred to the Academy's Public Interest Committee, after review by the Social Insurance Committee
- Public Interest Committee reviewed and discussed
- Public Interest Committee exposed draft statement to the membership for comment
- Public Interest Committee reviewed comments and sent recommendations to the Academy's Board of Directors
- Board of Directors approved statement in June 2008

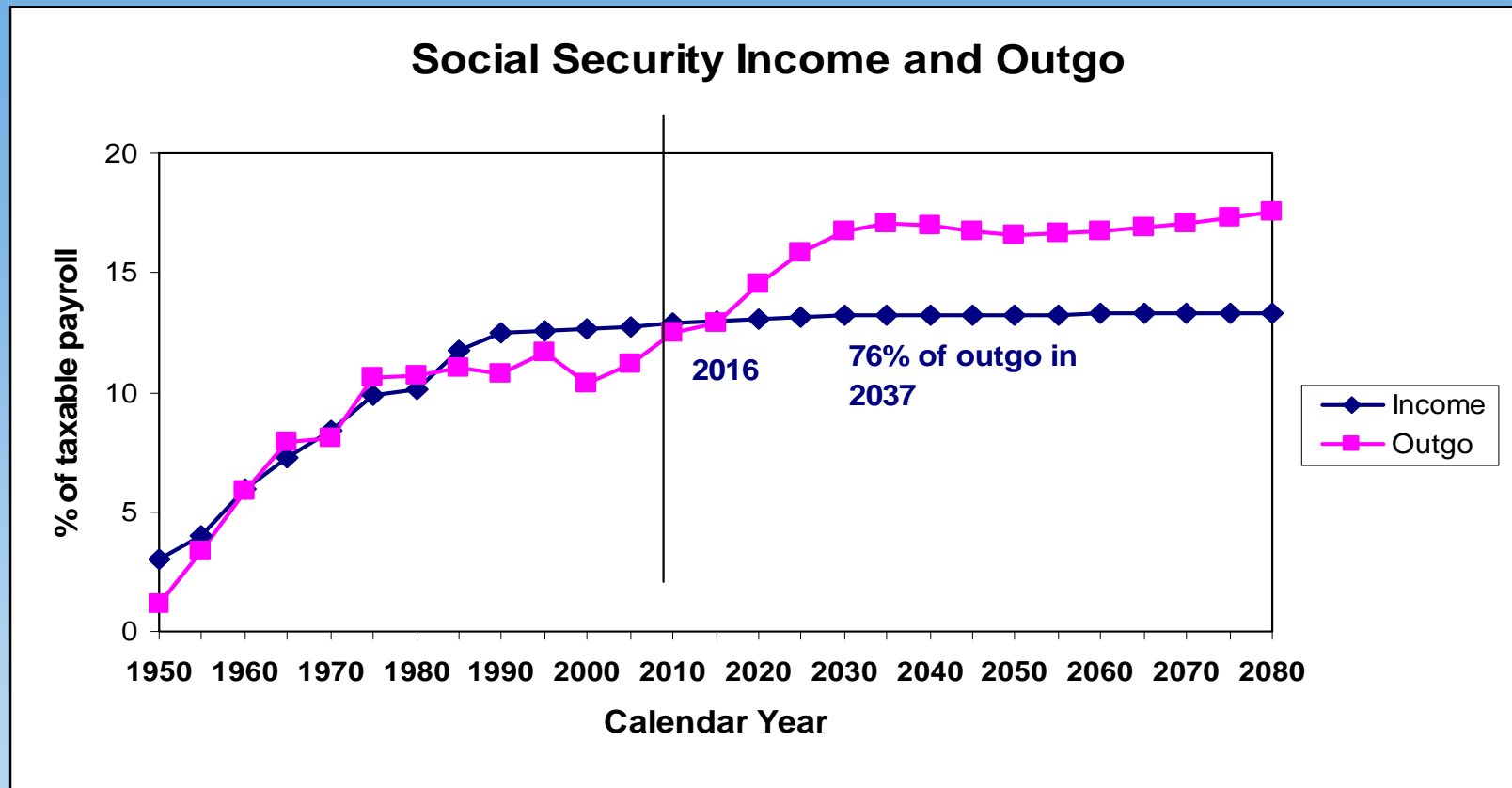


Statement on Social Security: Highlights

- Social Security needs a course correction
- Social Security's retirement age should be increased
- Social Security's problems should be addressed now



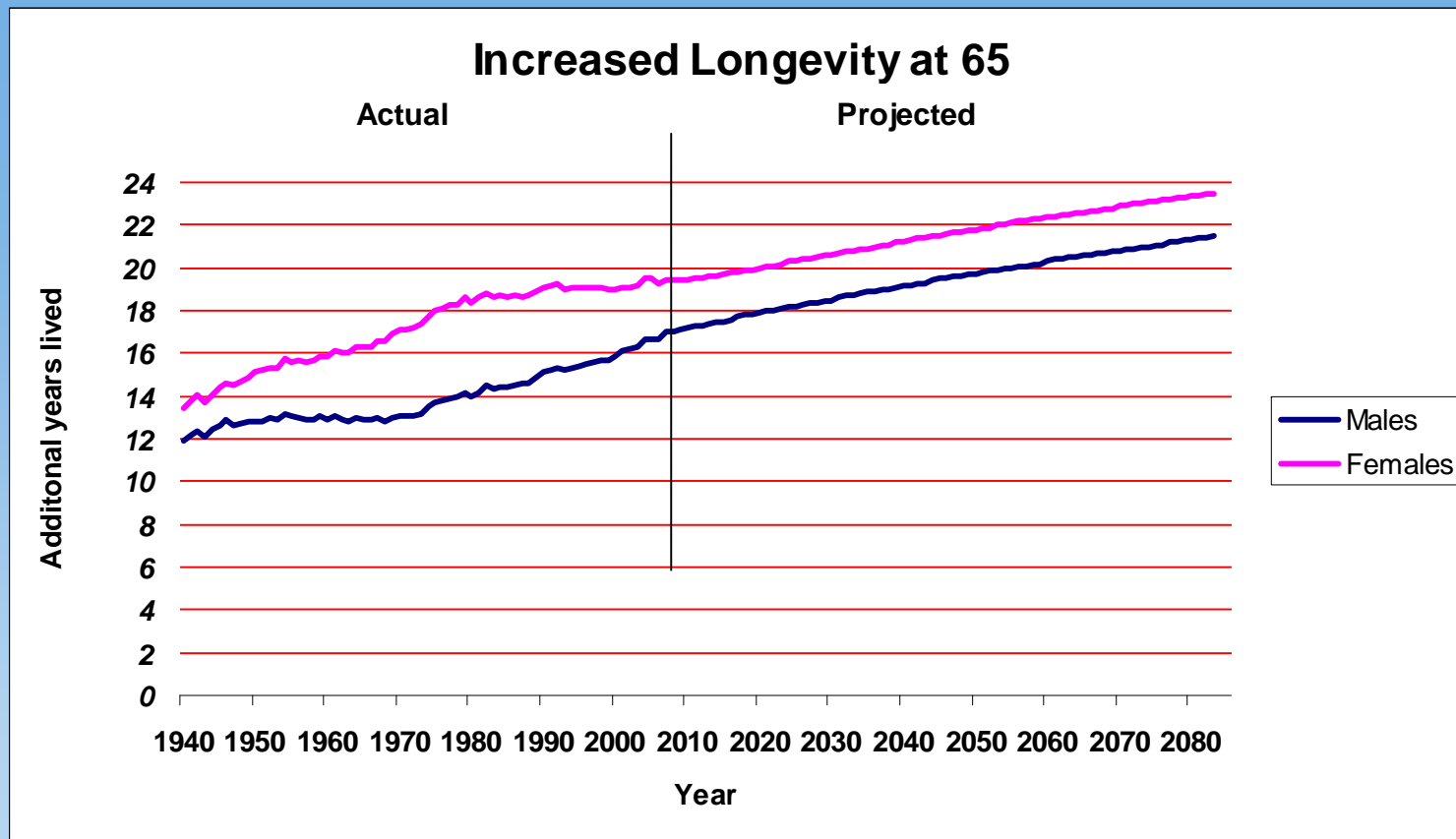
Actuarial Imbalance



Source: 2009 Table IV.B1. OASDI Trustees Report - Intermediate Assumptions
http://www.socialsecurity.gov/OACT/TR/2009/IV_LRest.html#154978



Increasing Longevity



Source: 2009 OASDI Trustees Report. The period life expectancy at a given age for a given year represents the average number of years of life remaining if a group of persons at that age were to experience the mortality rates for that year over the course of their remaining lives; 2006 to 2008 are estimated



Social Security's Retirement Age Should Be Increased

- Demographic solution to a demographic problem
- Social Security must accommodate future increases in longevity
- Retirement age has been increased only once in Social Security's history despite continued increases in average life expectancy
- Increasing retirement age can significantly contribute to restoring the Social Security program to actuarial balance

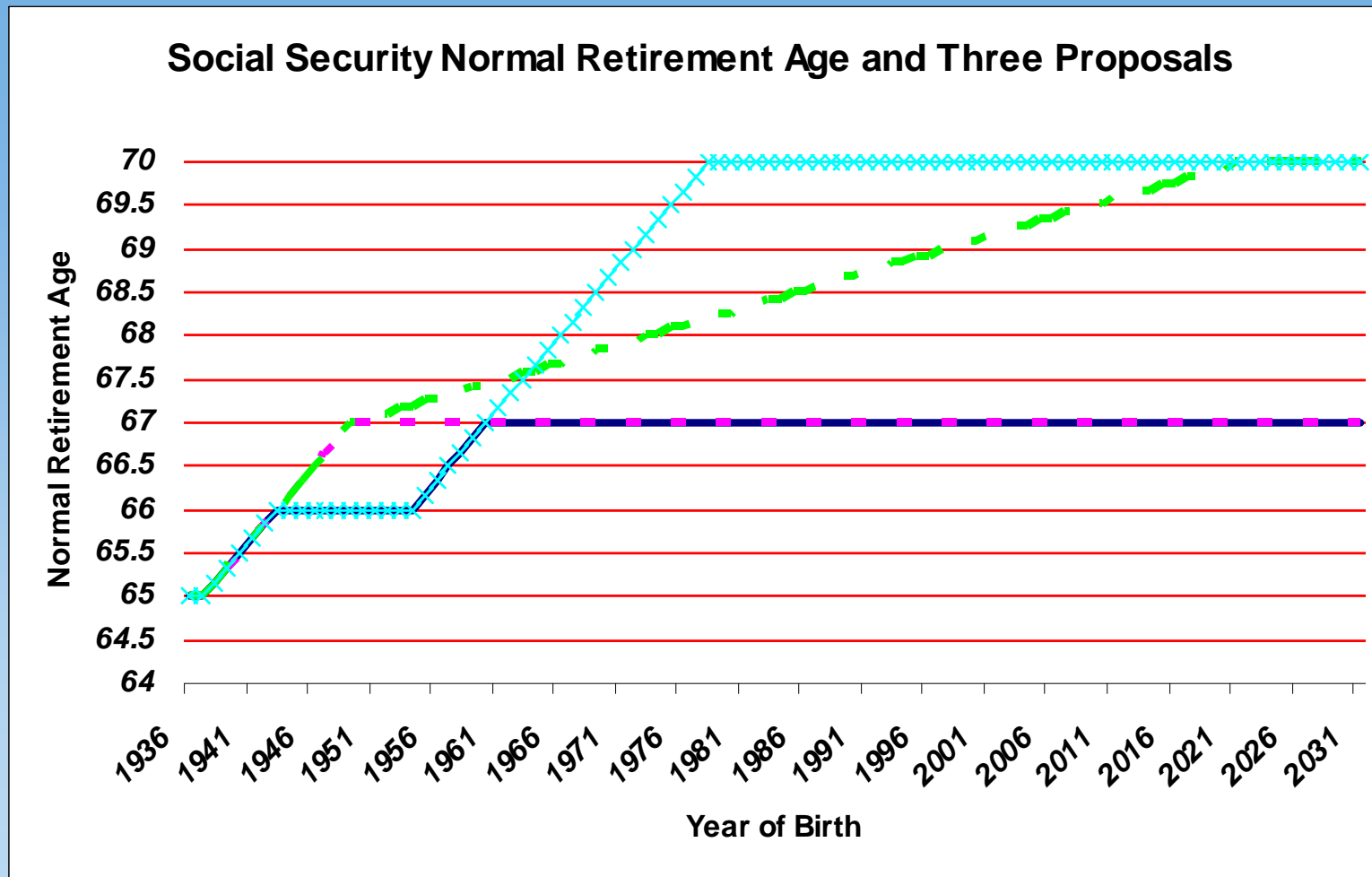


Raising the Retirement Age

Sample proposal	Approximate percentage of Social Security's long-range deficit ^[1] eliminated
Eliminate the hiatus in the normal retirement age (NRA) – i.e., speed up the increase to age 67	10%
Eliminate the hiatus in the NRA – i.e., speed up the increase to age 67 – and then increase it by 1 month every 2 years until it reaches age 70	35%
Keep the current schedule of NRA increases to age 67 but continue increasing it thereafter by 2 months every year until it reaches age 70	50%
<p>[1] Under the intermediate assumptions of the 2008 OASDI Trustees Report, Social Security's long-range (75-year) actuarial deficit is 1.70 percent of taxable payroll.</p>	



Sample Proposals



Social Security's Problems Should Be Addressed Now

- More policy options can be applied to more people
- Tax increases could be phased in more gradually; reductions in benefit growth could be smaller and less precipitous
- Allow more time for individuals to plan accordingly



Reaction to the Statement: Editorial Support

THE INDIANAPOLIS STAR



PRESS-REGISTER

The Des Moines Register

Seattle Post-Intelligencer

Press & Sun-Bulletin

THE SACRAMENTO BEE  sacbee.com



AMERICAN ACADEMY *of* ACTUARIES

Copyright © 2009 by the American Academy of Actuaries
September 2009

Reaction to the Statement: Feedback

- “Overall the Academy’s support is very helpful in giving momentum to reform. Let’s hope that Obama’s Social Security experts – of whom the new administration has several – are listening.”

- Andrew Biggs, former deputy commissioner, Social Security Administration

From: Notes on Social Security Reform [Jan. 21, 2009]



Reaction to the Statement: Feedback

- “The actuaries do not suggest a specific age. Nor do they estimate how much money a gradual increase would save the system. What they do is present a compelling argument that makes far more sense than any politician’s garble... if we want to keep Social Security fair, if we want a long-term solution to treat all recipients as equally as possible, and if we want to do it in a way that is straightforward and understandable — not so convoluted that few understand how the change would affect them — there is solid reasoning, and not political sleight-of-hand, behind the actuaries’ plan.”

-Marie Cocco, nationally syndicated political columnist

From: “Keeping Social Security Fair,” Washington Post Writer’s Group [Aug. 5, 2008]



Other Issues: Public Pensions

- Pension Practice Council had been deliberating public pension plan disclosure issues for some time and referred the issue to the Board of Directors
- Public Interest Committee was charged to explore subject and provide recommendations to the Board of Directors
- Public Interest Committee requested feedback and hosted a forum on public pension disclosures in September 2008



Other Issues: Public Pensions

- Public Interest Committee unanimously determined that the disclosure of consistent measures is in the public interest
- The committee recommended to the Board of Directors that:
 - The Actuarial Standards Board develop standards for consistently measuring the economic value of pension plan assets and liabilities
 - The Board of Directors not issue a public advocacy statement on the issue at that time



Your Involvement

- Volunteer with the Academy's committees
- Participate in comment periods
 - Your input is vital during information-gathering processes and strengthens the final product
 - Your participation allows the Academy to speak with one united voice
- Let us know what public interest issues are important to you

