

Research Studies–Data Requests
Retirement 20/20–Call for Models
August 5, 2009

I. Overview

Retirement 20/20 is a strategic initiative of the Society of Actuaries (SOA) Pension Section to find new retirement systems that meet the needs of stakeholders better than the existing defined benefit(DB)/defined contribution(DC) models. It is intended to generate a better understanding of how adequate and affordable retirement income can be generated in North America over the next century.

Retirement 20/20 was launched in reaction to the shortcomings of both traditional DB plans and DC plans, shortcomings which have been further accentuated during the current financial crisis.

Retirement 20/20 seeks to find new retirement solutions that better meet the economic and demographic needs for the 21st century in North America. The primary focus of this project has been “tier II” retirement systems (deferred compensation historically provided by the employer or industry) rather than social insurance (tier I) or personal savings (tier III).

The initiative has defined the needs, risks and roles for the key stakeholders in the system (society, individuals, employers and markets). The initiative also focused on key issues, such as how we align roles with skills, how “signals” given by the system, whether intentional or unintentional, can be properly aligned with the objectives of the system, how we use self-adjusting mechanisms and what is the role of markets. The key findings of the project are summarized in a capstone paper (see Section IV) and in the conference reports, available at <http://retirement2020.soa.org/>.

Retirement 20/20 staff and volunteers have also constructed the Measurement Framework, which is a tool to evaluate how well a particular design meets the needs of the identified stakeholders. The Measurement Framework looks at 38 criteria focused on specific needs and risks for the four stakeholders, as well as four general criteria. To date, the Measurement Framework has been used to evaluate existing generic DB and DC models as well as several other models that are seen as significantly different (e.g., Ontario Teachers Pension Plan (OTPP), Dutch industry wide plans, and the United Methodist Church (UMC) plan). Our analysis of these non-traditional DB/DC models has highlighted several other features which may help to create strong plans (see capstone paper – Section IV).

The results of the three conferences and the lessons learned from the Measurement Framework have created a set of characteristics and features we believe can drive the development of better retirement models. The Society of Actuaries Pension Section Council is issuing this call for models to solicit ideas for new tier II retirement systems that align with the principles of *Retirement 20/20*.

II. Call for Models

The SOA Pension Section encourages submissions by individuals, groups of individuals or organizations for new tier II retirement systems that fit within the context of the social insurance system, culture, work patterns and social values in Canada and/or the United States. Submissions can assume significant changes in regulatory structure (submissions do not have to meet current regulatory requirements). We encourage submissions that reflect different views on how to incorporate the *Retirement 20/20* principles, including use of existing insurance or other market



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products, use of groups (employer or non-employer), cost structure, elements of choice and mandated elements (e.g. contributions, coverage), etc.

We recognize there are many “new” retirement system proposals that have been previously developed. While we welcome such submissions, we ask that authors familiarize themselves with the work of *Retirement 20/20* and in their submission note how their design meets these principles or could be adjusted to meet them. Also while the focus of this call for models is on tier II systems, submissions can include a redesigned tier I (social insurance) and tier II system that show how the two are better integrated when redesigned.

See **Section IV** of this document for a list of key background materials available to submission applicants. Model submitters will be expected to have read the capstone paper and reviewed the Measurement Framework and be familiar with the concepts contained in each.

III. Submission Incentives

Monetary Awards

The SOA Pension Section plans to support this call for models by awarding a number of equal cash prizes (maximum of five) for the best qualified submissions. It is expected that up to \$100,000 in total may be awarded to the qualifying submissions that align most closely with the principles of *Retirement 20/20* (including those described in Section V), the Measurement Framework and the final judging criteria. Additional details regarding the eligibility, submission guidelines and judging criteria can be found in a separate [Rules & Guidelines document](#).

Publication & Presentation

It is also anticipated that the authors of the strongest entries will have an opportunity to present their ideas at a *Retirement 20/20* conference planned for 2010. If the conference is held, it is anticipated that travel and lodging expenses for authors selected to present at the event will be reimbursed, up to certain limits.

In addition, we will feature selected submissions that meet minimum quality standards in a report on the call for models, including evaluations of the submissions using the Measurement Framework. Selected submissions may be referred (with the author’s consent) to the *North American Actuarial Journal* or other publications. The Society of Actuaries reserves the right to reject or not publish any papers not meeting the criteria and standards set by the judging panel.

IV. Resources & Background

The following materials are available for submission applicants:

- Conference reports from 2006, 2007, and 2008, with all key findings of the *Retirement 20/20* initiative, including the soon to be released 2008 conference paper monograph, are available at <http://retirement2020.soa.org/>.
- A summary paper written by SOA Senior Fellow, Emily Kessler has recently been completed



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tying together the work of *Retirement 20/20* to date. It is available at <http://retirement2020.soa.org/Files/2009-constucting-new-kessler.pdf>. The summary paper brings the principles of *Retirement 20/20* into an overarching framework which may help submitters understand the basic principles driving the preferences being expressed within *Retirement 20/20*.

- A blank Measurement Framework is also available at the *Retirement 20/20* site. Drafts of completed frameworks for five sample plans will also be available soon (DB, DC, Ontario Teachers Pension Plan, Dutch industry wide plans, United Methodist Church plan).

V. General Content Guidelines

We are seeking papers that represent a range of perspectives and disciplines. As such, we are hoping to receive papers from a diverse group of professionals including academic researchers, practitioners, plan sponsors, actuaries, analysts and other interested parties.

It is anticipated that papers will present solutions and design alternatives that require longer-term or innovative approaches, including solutions that perhaps could not be easily implemented without legislative changes and shifts in societal thinking. These papers are welcomed and encouraged.

- The completeness and thoroughness of proposed solutions will be important; the following questions should be addressed in the paper:
 - Who sponsors the plan (employer, government entity, union or trade group, etc.)?
 - Who covers costs and in what amounts?
 - What is the role of each stakeholder (employees, employers, society and markets)?
 - How are risks allocated between various stakeholders?
 - How are investments handled and/or what new market instruments would be needed?
 - What happens during extreme events (e.g. market collapse, significant demographic shifts in covered plan participants)?
 - What is the governance structure for the system and how does the system deal with moral hazard risk?
 - What are the likely administrative costs and burdens?
 - How will the system be communicated to and understood by participants, particularly with respect to the role of choice and default options?
 - How does the system integrate with Tier I social insurance?
 - Are there any potential transition issues and obstacles to implementation?
 - To the extent that the system does not comply with either the current Canadian or US

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regulatory framework, what are the key law changes needed to allow the plans to legally operate (Canadian submitters need only consider one province of their choice and national law)? Please note that the section on regulatory framework should only consider in broad principles which laws should be changed and should not reference specific passages of legislation or statute.

- Submissions should include an executive summary.
- The papers have no required minimum or maximum length; however, suggested length is no more than 40 pages. Papers should include sufficient detail to understand system construction but need not (and should not) delve deeply into required administrative, fiduciary, statutory or legal concerns.
- Submitters are requested to use the style guidelines for the North American Actuarial Journal with regard to paper format (<http://www.soa.org/files/pdf/NAAJ%20Style%20Guidelines.pdf>).

VI. Timeframes

Statements of Intent

A “statement of intent” outlining your intention to submit a paper must be submitted to the SOA by **Sept. 15, 2009**. Statements of intent should be sent to:

- Sue Martz
- f: 847.273.8558
- e–mail: smartz@soa.org

The statement of intent should include a one-page description of the system design, a brief biographical paragraph for the author(s) and contact information and whether any organization is or has provided financial backing in developing the proposal. Statements of intent will be reviewed by Society of Actuaries’ staff and members of the Pension Section Council as received to ensure the proposed model meets the broad goals and criteria of the call for models. Members of SOA staff will contact submitters within two weeks of receipt to confirm whether the proposed submission would be considered eligible for an award. Submitters whose statements of intent do not appear to match the goals of the call for models will be advised that their final paper may not be included in the conference or conference proceedings. The SOA reserves the right to refuse to consider models submitted without a statement of intent.

Final Submissions

All retirement system model papers must be submitted in a complete format **no later than Dec. 18, 2009**.

Submissions that have a copyright must be accompanied by written permission to reprint.

See **Section V** for general content guidelines. Additional details regarding the eligibility,



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submission guidelines and judging criteria can be found in a separate [Rules & Guidelines document](#).

Submissions should be made electronically to Sue Martz at smartz@soa.org.

VII. Questions

Please direct questions regarding this call for models to:

- Andrew Peterson, SOA Staff Fellow – Retirement Systems
- ph: 847.706.3591
- f: 847.273.8591
- e-mail: apeterson@soa.org

or

- Emily Kessler, SOA Senior Fellow – Intellectual Capital
- ph: 847.706.3530
- f: 847.273.8530
- e-mail: ekessler@soa.org