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

Increased Longevity at 65

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

<table>
<thead>
<tr>
<th>Sample proposal</th>
<th>Approximate percentage of Social Security’s long-range deficit eliminated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eliminate the hiatus in the normal retirement age (NRA) – i.e., speed up the increase to age 67</td>
<td>10%</td>
</tr>
<tr>
<td>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</td>
<td>35%</td>
</tr>
<tr>
<td>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</td>
<td>50%</td>
</tr>
</tbody>
</table>

*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.*
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
- Seattle Post-Intelligencer
- The Sacramento Bee
- The Des Moines Register
- Press & Sun-Bulletin
- The Baltimore Sun
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]

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

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