Managing Longevity Risk: New Roles for Public/Private Engagement

Co-organized by Surya Kolluri and Olivia S. Mitchell

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Olivia S. Mitchell is the International Foundation of Employee Benefit Plans Professor, and Professor of Insurance/Risk Management and Business Economics/Policy; Executive Director of the Pension Research Council; and Director of the Boettner Center on Pensions and Retirement Research; all at The Wharton School of the University of Pennsylvania. Concurrently Dr. Mitchell serves as a Research Associate at the NBER; Independent Director on the Wells Fargo Fund Boards; Vice President of the American Economic Association; Co-Investigator for the Health and Retirement Study at the University of Michigan; Executive Board Member for the Michigan Retirement Research Center; and Senior Scholar at the Singapore Management University. She also serves on the Academic Advisory Council for the Consumer Finance Institute at the Philadelphia Federal Reserve; the Advisory Committee of the HEC Montreal Retirement and Savings Institute; and the UNSW Centre for Pensions and Superannuation. She earned her B.A. in Economics from Harvard University, and her M.S. and Ph.D. degrees in Economics from the University of Wisconsin-Madison.

Surya Kolluri leads the efforts on *Thought Leadership* for the Bank of America Retirement and Personal Wealth Solutions Business. In this capacity he oversees research and programs in the areas of Longevity, Retirement and ESG. He has spoken at a number of public forums including the Tokyo G20 Summit on Aging and Financial Inclusion, White House Conference on Aging Regional Forum in Boston, the National Governors Association summer meeting, the Dementia X forum in Stockholm, the World Health Organization Convening on Healthy Aging in Geneva, the OECD roundtable at Oxford University on the topics of Longevity, Cognitive Decline, Caregiving and Social Impact Investing. He also engages in on pro-bono projects for non-profit organizations including the MA/NH chapter of the US Alzheimer's association, the Global Committee Leadership Group at the DCIIA, the CEO Initiative for Alzheimer's, and the Global Coalition on Aging. Previously he worked at Bain & Company and A.T. Kearney as a strategy management consultant. He earned his M.B.A. from the Wharton School at the University of Pennsylvania and his M.S. from Drexel University.

Session I

Tim Driver founded Age Friendly Ventures, the parent organization of Age Friendly Advisor, Mature Caregivers, and RetirementJobs.com. He also serves as a Director at The Age Friendly Foundation. Previously he served as a Board Member and SVP at Salary.com; was a group director in Personal Finance and Strategic Businesses units at AOL; and held a senior consulting role at Accenture. He served as Employment Committee Co-Chair for Massachusetts Governor Baker's Council to Address Aging, and was recognized by PBS Next Avenue as an Influencer in Aging. He earned his B.A. from Macalester College and M.B.A. from Georgetown University.

- Working longer benefits workers and society as a whole – and may not be as costly as generally thought.
- Employment among older workers may lead to as much as four times as much social interaction, thus protecting against isolation that has been proven a risk factor for poor physical and mental health.
- Older workers are less costly than generally perceived: increased employment of older workers does not negatively impact younger workers; older workers' wages are not significantly higher than younger workers'; and in certain instances, small employers' health insurance costs can be lower for older employees.

Douglas Wolf is Professor of Public Administration and International Affairs and the Gerald B. Cramer Professor of Aging Studies at Syracuse University. He is a demographer, policy analyst, and gerontological researcher whose research addresses the economic, demographic, and social aspects of aging and long-term care. Previously he served as an economist in the Office of Income Security of Health, Education and Welfare (now DHHS), at the Urban Institute culminating in a position as Director of its Population Studies Center, and as Research Scholar affiliated with the Population Program of the International Institute for Applied Systems Analysis in Laxenburg, Austria. He is also a Fellow of the Gerontological Society of America. He received his Ph.D. in Public Policy Analysis from the University of Pennsylvania in 1977.

- A new retiree faces considerable uncertainty about their number of remaining life-years, and about whether and how much of that lifetime will be spent disabled. However they choose to spend down their financial assets, a transition from nondisabled to disabled signals a reduction in remaining total life years, and therefore might imply that assets should be drawn down more rapidly.
- Being disabled may entail large out-of-pocket expenses (e.g., for nursing home care), thus accelerating asset depletion and increasing one's longevity risk. Medicaid's support of nursing home costs serves as a sort of public-private partnership that supports the provision of end of life care.

Kathleen McGarry is a Professor and Vice Chair in the Department of Economics at UCLA and a Research Associate at the NBER. Previously she taught economics at Dartmouth College and served as a Senior Economist at the Whitehouse Council of Economic Advisers. Her research focuses on the economics of aging, particularly the role of public and private transfers in affecting the well-being of the elderly, and the functioning of insurance markets catering to the elderly population. She received her B.S. in mathematics and M.A. and Ph.D. in Economics from Stony Brook University.

- Individual expectations regarding longevity accord with known risk factors for mortality and are updated over time with the arrival of information regarding own health status.
- Individual expectations correlate with actual mortality outcomes.

Nora Super is Senior Director of the Milken Institute Center for the Future of Aging, where she oversees aging-related initiatives. Previously she served as the Chief of Program and Services at the National Association of Area Agencies on Aging; she was also Executive Director of the White House Conference on Aging; and she served at the U.S. Department of Health and Human Services, AARP, and Kaiser Permanente. She was named one of America's top 50 "Influencers in Aging" by PBS Next Avenue, and she was Honoree for Outstanding Service to Medicare Beneficiaries by the Medicare Rights Center. She received her BA. from Tulane University and M.P.A. from George Washington University.

- By 2030, one in five residents in the US will be age 65 or older. Seventy percent of them will require long-term care at some point in their lives. Yet, as a nation, we are woefully underprepared for this crisis. Most Americans do not have adequate savings to pay for the staggering costs of long-term care, and past efforts to implement major comprehensive reform have failed.
- To identify new care delivery and funding models, the Milken Institute interviewed over 50 key stakeholders and subject matter experts. Despite initial claims that the long-term care system needs to be entirely reworked to be fixed, over 80 percent of interviewees offered concrete ideas for incremental solutions. In this paper, we focus on three of the most promising solutions: public and private long-term care insurance solutions, Medicare expansion solutions, and technology solutions.

Session II

Maria D. Fitzpatrick is an Associate Professor in the Department of Policy and Management, Director of the Cornell Institute for Public Affairs, Associate Director of Data for Evidence-Based Policy at the Bronfenbrenner Center for Translational Research, and Research Associate at the National Bureau of Economic Research. She received her B.A. in Economics from the University of North Carolina at Chapel Hill, and her M.A. and Ph.D. in Economics from the University of Virginia.

- The most recent evidence from on objective health outcomes suggests that retirement is bad for older American's health. This is important for policy and longevity planning of both companies and the public sector.
- Male mortality increases with early retirement and collection of Social Security at age 62. More research is needed to understand the mechanisms and how companies and policymakers can extend working life and support retirees.
- The pandemic-related health and economic situations will almost certainly change some people's retirement plans and have effects on older American's health. Those changes may have longer run effects on mortality, as evidenced by research on the relationship between retirement and mortality in Fitzpatrick and Moore (2018).

Nancy Hodgson is the Anthony Buividas Term Chair in Gerontology, Associate Professor in the Department of Biobehavioral Health, and Program Director of the Hillman Scholars Program in Nursing Innovation, all at the University of Pennsylvania. Her area of inquiry is biobehavioral research methods for older adults with dementia. She also serves as chair of the Clinical Management of Patients in Community-based Settings Study Section in the Center for Scientific Review of NIH; is Academic Research Representative on the Pennsylvania Long-Term Care Council; is a Fellow in the American Academy of Nursing; and serves on the Gerontological Society of America. She received her M.S.N. and Ph.D. in Nursing from the University of Pennsylvania.

- Despite preferences for aging in place illness and disability rates, poor housing conditions, and limited financial resources serve as major barriers for most older adults.

- Future aging in place PPPs must address the need for safe built environments, accessible housing, and coordinated care and services for our older population. Home technologies represent one opportunity to tackle these challenges.

Dozene Guishard is the Director of Health and Wellness Initiatives at Carter Burden Network and Co-Principal Investigator to an Administration for Community Living-funded Nutritional Innovation project. Previously she served as Executive Director of Westchester County Department of Senior Programs and Services' Livable Communities project; Project Manager for the New York State Office for the Aging's Living Well Chronic Disease Self-Management Program; Director of New York City Department of Health and Mental Hygiene's ten Tuberculosis Control clinics; administrator at State University of New York at Downstate Medical Center and Harlem Hospital Center; and as a Senior Business Management Specialist at TIAA Institute. Dr. Guishard serves as the Board Chair of Alzheimer's Association of the Hudson Valley, as a member of Metropolitan Hospital Center New York Health + Hospitals Community Advisory Board, as an advisor on the One City Health Strategic Advisory Workgroup, and as a director on The Steve Fund Board. She received her Bachelor's degree in Social Gerontology from the State University of New York at Buffalo, her Master's in Gerontological Administration from The New School, and her Doctorate in Education from St. John Fisher College.

- I believe it is critically important to diversify public/private partnerships with the focus on measurable outcomes, sustainability plans and its impact on those it intends to serve. Public/ private partnerships are the lifeline of community-based organizations' survival.
- Evaluations are key components of determining longevity and risks. We need to understand the challenges and opportunities that each public /private engagement offers; how it addresses the question of longevity and what is the return on the investment for all parties.

Adelina Comas-Herrera is co-lead of Strengthening Responses to Dementia in Developing Countries as well as the Assistant Professorial Research Fellow at the Care Policy and Evaluation Centre at the London School of Economics and Political Science. Her main research interests include economic aspects of care, treatment and support of people with dementia, and long-term care financing, in the UK and globally. She serves as a consultant for the Inter-American Development Bank's ageing and long-term care program, and was a member of the World Health Organization Guideline Development Group for risk reduction guidelines for cognitive decline and dementia. She has consulted for the World Health Organization's Department of Ageing and Life Course, preparing a country self-assessment tool for long-term care and was a co-author of the World Alzheimer Report in 2016 and 2019. She received her B.A. and M.S. in Economics at Universitat Pompeu Fabra.

- That the costs of dementia care are high does not necessarily equate to dementia care being unsustainable, but it highlights the need for policy action in relation to long-term care
- Policymakers have found it easier to adopt "hopeful" policies in relation to dementia, for example investing in research to find a "cure" for Alzheimer's Disease, than to tackle the more complex policy issues of addressing health and long-term care system's capacity to respond to dementia. This may not be politically sustainable for much longer.

<u>Session III</u>

Alicia H. Munnell is the Peter F. Drucker Professor of Management Sciences at Boston College's Carroll School of Management where she also serves as the Director of the Center for Retirement Research at Boston College. Previously she served as a member of the President's Council of Economic Advisers and Assistant Secretary of the Treasury for Economic Policy ; she alsoworked at the Federal Reserve Bank of Boston as Senior Vice President and Director of Research. She is a member of the Board of The Century Foundation, the National Bureau of Economic Research, and the Pension Rights Center. She earned her B.A. from Wellesley College, her M.A. from Boston University, and her Ph.D. from Harvard University.

- Many households will not have enough money in retirement, and property tax deferral offers a cheap and easy way to tap home equity.
- Although property tax deferral programs are self-financing on a household basis, they need start-up money either from government or a public-private partnership.

Christopher Mayer is the Paul Milstein Professor of Real Estate and Professor of Finance at Columbia Business School, where he serves as Co-Director of the Paul Milstein Center for Real Estate. His research explores a variety of topics in real estate and financial markets, including housing cycles, mortgage markets, debt securitization, and commercial real estate valuation. . Mayer also serves as NBER Research Associate, Director of the National Reverse Mortgage Lenders Association, and a member of the Academic Advisory Boards for Standard and Poor's and the Housing Policy Center at the Urban Institute. He is also CEO of Longbridge Financial, LLC, an innovative reverse mortgage company focused on delivering responsible home equity products to older Americans to help finance retirement. Previously he served as Senior Vice Dean at Columbia Business School; and worked at The Wharton School, the University of Michigan, Harvard Business School, and the Federal Reserve Bank of Boston. He earned a B.S. in Math and Economics from the University of Rochester with highest honors and a Ph.D. in Economics from MIT.

John Kiff is Senior Financial Sector Expert at the International Monetary Fund where he collaborated on the semi-annual Global Financial Stability Report. Currently his interests focus on fintech issues, over-the-counter derivatives, and pension risk transfer markets. Previously, at the Bank of Canada, he managed the funding and investment of the government's foreign exchange reserves including running its interest rate and currency swap book. He received his Bachelor's in Commerce at Carleton University.

- In countries with large defined benefit (DB) pension plan sectors, sponsors are transferring the related investment and longevity risk to life (re)insurers, driven by the introduction of stricter pension disclosure standards and regulations. But cumulative risk transfer only about $550 billion in the three countries with the largest DB sectors versus about the $16 trillion of DB-related obligations.
- (Re)insurer capacity for such transfers could be enlarged if the longevity risks they assume could be distributed to capital markets. This paper summarizes some of the impediments to capital market access, and looks to catastrophe risk transfer markets and recent academic literature for hints as to how these impediments can be overcome (or not).

Richard K. Fullmer is the founder of Nuova Longevità Research, an independent consultancy that specializes in retirement and pension research, where he works on longevity risk, plan design, and investment strategy. His interests include topics pertaining to longevity and sustainability risk, portfolio decumulation, tontine finance, and mortality-pooled investment design. He is a member of the *Journal of Retirement* Advisory Board, and he received the Edward D. Baker III Journal Research Award from the Investments and Wealth Institute. He received his B.A. from Washington State University and M.S. from Boston University.

- We explore state-sponsored defined-contribution pensions in the form of low-cost *assurance pools* that deliver lifetime income through mortality pooling and strict enforcement of a budget constraint
- Structured as tontines or pooled annuities, lifetime income would be assured, but the level of that income would not insured or guaranteed