Session 1B: Perspectives on a Changing Global Retirement Paradigm
Discussant: J. Bruce Macdonald, FSA, FCIA, MAAA

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Micro Pension Plan: Indian Perspective
by Prakash Bhattacharya, Be, CFA

In the early 1950s I was working for a life insurance company that had a thriving branch business in India. One day we discovered that we, together with all life companies—both foreign and Indian—had been nationalized. I don't remember that we were upset by the financial terms, though we regretted losing a good source of business. One by-product was that were more actuaries than the Indian economy required, and many sought employment throughout the English-speaking world: the vast majority had qualified as fellows of the Institute of Actuaries in England. I thus have had the pleasure of working with and knowing many Indian actuaries. I am pleased to say that Professor Bhattacharya, though not an actuary, upholds the high standards I have come to expect.

The dead hand of nationalization has undoubtedly held back the development of pension schemes in India. I am pleased to see that this has now come to an end. India has the opportunity to develop a pension scheme for its citizens with the benefit of all the experience and mistakes that have been made in the first world. I regret to see that as far as the civil service is concerned, they made all the mistakes possible—an exceedingly generous plan with pay-go funding that had to be discontinued for new entrants.

The author gives us a good bird's eye view of the Indian economy, with the vast majority of the labor force working in the unorganized sectors. The old method of looking after the elderly by their children is breaking down because of declines in the birth rate and the increased mobility of the workforce in search of better opportunities. This has also happened in the first world. Of particular interest is the role that gold, especially jewelry, has played in Indian savings.

I think the author is perhaps a bit optimistic in thinking that all working citizens will soon be above the poverty line, though I suppose it all depends upon where the poverty line is placed. I often think that in North America we place the poverty line at a level that many in the third world would be happy to achieve. Perhaps Statistics Canada's definition of a low-income cutoff is more useful as it avoids the word poverty.

Professor Bhattacharya's recommended solution is a mandatory defined contribution plan. In many ways it resembles the Canadian Registered Retirement Savings Plans, which have been quite successful, though they are not mandatory. There are also similarities to the recently introduced new social security schema in Sweden. In the complexity and decentralization of the Indian economy, I agree that only a defined contribution plan is feasible. I do not recall that he recommended a minimum required contribution, though I do think that in the Indian context this may be necessary. Canadian RRSPs also do not have a required minimum contribution, but then all Canadians are covered by the Canada Pension Plan and the Old Age Security Plan, and some by an occupational plan. He also does not mention an employer contribution, though this may well be impractical in India. RRSPs do not have an employer contribution either, though some employers find ways to make one.

I hope that the participants are not given too many investment options. If my memory is correct, there were almost 300 options in the Swedish scheme, and most new entrants chose the default option. Very few change the investment option originally chosen. This doesn't surprise me, as many years ago I, with input from a committee of professors, designed a defined contribution plan for the faculty of a Canadian university; there were a half dozen or so investment options and the facility to switch from one to another. Virtually nobody ever made changes in the investment mix. This shouldn't have surprised me as many of the faculty committee thought that the Canadian and U.S. stock markets moved in lock-step. I doubt if the average Indian will be any more sophisticated than the average Swede or university professor!

One thing that bothered me is that some of the money in the proposed plan can be withdrawn for family emergencies. I fear that too much of it may be withdrawn before retirement, thus defeating the aims of the plan. With the decentralization of administration that would appear to be necessary in India, this may be a serious problem.

I would like to offer my congratulations to the author on an excellent paper. One of his phrases was particularly memorable, and that was his reference to India being "over-regulated and under-supervised." I am sure we have all had this experience in dealing with the bureaucracy.

Retirement and Retirement Ages in Canada Revisited
by Brian L. Burnell, FSA, FCIA, FIA

While Mr. Burnell has limited himself to discussing the situation in Canada, his paper applies, as he assumes, to many other countries in the developed world as well who have a "graying" population. The paper by Professor Bhattacharya shows that it applies to India, and I believe that China has the same problem. In much of Europe the financial problems are even worse because of generous social security plans with lower retirement ages than in Canada. I have been told of a survey in Italy that revealed that the aim of many children when they grew up was to be a pensioner!

The paper does highlight the prevalence of short-term thinking about a long range subject. When investment returns were high and pension surpluses were large, many assumed that this was a permanent condition; and that defined contribution plans would provide superior benefits to defined benefit ones. When returns dropped and deficits occurred, this was assumed to be equally the norm. I have recently been involved with a university pension plan which had indexing based on the excess of the fund yield over 6 percent. I'm sure that when this provision was made it was considered most unlikely that the yield would be that low. Recently the yield has indeed been less than 6 percent, and this has created problems.

I am old enough to remember being told that I would never see a return on government bonds as high as 4 percent again, and many years later being told I would never see a return that low. I have seen both. Now, despite the best efforts of short-term thinkers in the accounting profession and in government regulatory bodies, defined benefit plans are regaining their health, and their superiority in retirement planning is being conceded. Let us hope the recovery continues.

I agree with Brian that we can no longer afford a retirement age as low as 65, though an increase in it to 70 will be a hard sell. In Doug Andrews' paper, which I shall also discuss, he suggests an even higher age. While not many of us spend our entire working career with one employer any longer, many of us do in the same occupation. I keep thinking of the gentleman in my church who, immediately after his golden wedding anniversary, left his wife and moved in with his girlfriend, who was of a comparable age. When questioned, he said that 50 years with one woman was enough. Perhaps 50 years in the same profession is also enough.

It thus becomes necessary to develop a program of phased retirement, as Brian discusses, and not necessarily with the same company or in the same profession. It seems to me that the governmental provisions described at the symposium are unduly complicated and restrictive. Since the symposium the regulations under the Income Tax Act have been liberalized and phased retirement is now easier. I understand Brian has described these in the final version of his paper. We should remember that the federal government certainly wants the monies in tax-exempt retirement accounts to be converted into taxable pensions.

I agree with Brian on the inequities of "cliff" mandatory retirement. Employers must find some other way of gracefully easing out employees who are no longer capable into a less demanding position or retirement. Mandatory retirement has also been justified as a way of keeping rising stars with the company as they know the top positions will not be permanently occupied by the present incumbents. There may still be a restricted place for mandatory retirement.

While in general I enjoyed my career as an actuary, there were many things I had to do that were boring at best. After retirement I have only really done actuarial things that I enjoy doing, such as speaking at this symposium. To study alternative careers, it might be useful to study retired military officers, where further service in the forces is not an option. Admittedly they retire at an earlier age and in better health than most of us.

I am shocked by those who can find nothing to do after retirement, though I have known some very capable people who had that problem, including the CEO of my first employer. The opportunities for volunteer work are enormous. I sometimes say that I am looking for a full-time job so I can have some spare time again. Or as my friend Colonel Russ Comeau puts it: “Demand varies inversely with the price, and now that our price is zero, the demand is infinite.”

Mr. Burnell has provided us with a very useful paper. While there may not be too much in it that is not known to those of us who have been working in the field and grappling with the problem, it deserves to be widely disseminated to other policy makers and the general public, especially as it is clearly written and devoid of the jargon that is so often self-defeating.

Living to 100 and Beyond in Canada with Dignity
by Doug Andrews, MBA, FSA, FCIA, CFA

Mr. Andrews has presented us with a very stimulating and controversial paper, which merits the most serious consideration. The concept of living with dignity is most important, although to a large extent dignity is very subjective.

The idea of raising the age at which OAS is paid from 65 to 85 will obviously meet much resistance, even though it is proposed to triple the amount. If the idea of raising the normal retirement age to 70, as proposed by Brian Burnell, is a hard sell, how can I describe this? There will obviously have to be substantial interim arrangements, especially as many studies, quoted by Doug, indicate that Canadians are not saving enough for their retirement at present, and a change in the arrangements for OAS will create a further gap. We must not forget the outcry against the claw-back, which takes part or all of the OAS away from those with higher incomes.

One problem for the elderly which Doug does not discuss, although Professor Bhattacharya does, is that there may not be children, or grandchildren to look after them. This results either from not having children, or the children being far distant from the parental abode. (I am acutely aware of this as my wife and I have no children, and being only children ourselves, have neither nieces nor nephews.) A good friend of ours who, when asked on the death of her husband, if she planned to move to the west coast where all of her children were, replied that she knew where her support systems were, and that her children, being mobile professionals, moved regularly.

We must also remember that having more than adequate financial capital does not guarantee proper care. We had another friend who was a wealthy childless widow. Eventually she was confined to a nursing home because of physical deterioration, although her mind was as active and as capable as ever. The quality of the caregivers she had varied from loving to sadistic, despite all her money. Some thought that the best way to deal with a strong-minded woman was to keep her sedated. On many occasions we had to act as her advocate, which grew more difficult as we moved to Montreal from Toronto. Another of her advocates also did not live in Toronto. Thus in addition to caregivers, advocates are needed to ensure what is done is really in the interests of the elderly individual.

I am thus a bit reluctant to reduce the standards we expect of caregivers in order to increase their numbers.

Of course the really controversial part of Doug’s paper is his advocacy of living wills (in the Canadian usage) and assisted suicide. I think a greater difference could have been made between the withdrawal of life support systems, and actual assisted suicide.

Both my wife and I have medical powers of attorney, which state we don't want heroic measures taken to prolong our lives.

I have no problems with assisted suicide for people suffering from the terrible degenerative diseases that affect the body but not the mind. When it comes to people with dementia, I am not so sure. Even if they had left instructions before the onset, they may well not wish to commit suicide when the moment comes. As Doug points out, the laws would have to be carefully drafted to prevent abuses, and I think this may well be more difficult than he thinks.

When reviewing Doug's paper, we had a news item that was to the point. It is summarized in a heart-rending article by Eric MacDonald in *The Voice,* the newsletter of **Dying with Dignity.** His wife suffered an aggressive form of multiple sclerosis. She decided to commit suicide, and went to Switzerland to commit suicide in a clinic there. She made all the arrangements, including the travel plans. He accompanied her, and she died holding his hand.

The **Euthanasia Prevention Coalition** asked the police to lay charges against Mr. MacDonald. The RCMP found that there were no grounds for charges.

Again I congratulate Doug on a thought-provoking paper.