



NEWS RELEASE

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American Academy of Actuaries Calls on President to Include Solvency and Sustainability in His State of the Union '2014 Year of Action' Agenda

WASHINGTON – As the nation takes measure of President Obama's State of the Union address Tuesday night, the American Academy of Actuaries calls on the President and Congress to commit to addressing the long-delayed and often-ignored issues of financial security of federal programs like Medicare and Social Security. The options for solving their fiscal condition become only more limited and difficult as time passes.

"The president is seeking to make 2014 a 'year of action,' and there are few matters in Washington more often missing from everyone's to-do list than federal entitlement reforms. The American Academy of Actuaries is the U.S. actuarial profession's voice for serving the public and we are highlighting a fundamental choice: Take action to address solvency and sustainability issues now, or delay action and face a dwindling number of available policy options later — options that may have a more severe impact on beneficiaries and taxpayers," says Tom Terry, president of the Academy. "While the scope of, and possible solutions to, the financial challenges vary according to program, a basic fact remains that challenges will grow more unmanageable the longer they remain unattended."

The Academy's committed volunteer actuaries have already performed considerable analysis of key federal programs, which policymakers can use as a starting-point in their work, including:

- Evaluations by pension actuaries that support an increase in the full retirement age for Social Security, which should be part of any reform effort in order to promote sustainable solvency. Advantages to raising the full retirement age include: compensating for longer lifespans/increased longevity; preserving the current benefit formula; increasing labor force participation; and preserving disability benefits.

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- Analyses by health actuaries of meaningful reforms to ensure that the Medicare program can continue to provide health security to current and future beneficiaries. Delaying tough decisions will lead to the need for more drastic changes in the future, with potentially greater negative consequences for beneficiaries, taxpayers, and health care providers.
- Significant examinations by health actuaries of options to contain health care costs to support a more sustainable health care system, which can benefit Medicare, Medicaid, and CHIP (Children’s Health Insurance Program), as well as the cost of federal employee health insurance coverage. Even if the recent slowdown in health spending growth continues, the level of spending remains high and there is evidence that the nation is not getting enough value for its health dollars spent. Policymakers need to build on the efforts of health reform to shift the health care payment and delivery systems to focus on cost-effective and high quality care.

Another important area to focus on is overall retirement security. Often absent during periods where job growth and economic recovery are the focus, retirement-income needs should not be left out of the public-policy discourse, the Academy reminds policymakers. In particular, policymakers should consider: encouraging the use of lifetime-income solutions for people living longer in retirement; improving the governance, and disclosures of the measurements and value of, public-sector (state/municipal) employee pension plans; solutions to provide for affordable long-term care financing; and emphasizing retirement plans’ alignment, governance, efficiency, and sustainability to engender enduring retirement systems. The Academy recently launched an initiative, [Retirement for the AGES](#), focused on U.S. retirement-income systems, which need to be strengthened to improve financial security for retired Americans. The new Academy [monograph](#) provides an innovative framework for evaluating retirement plans and systems, both private and public, and retirement-income public policy proposals.

Learn more about public policy options to address public program solvency and sustainability, and other issues, by clicking on the “Public Policy” tab at www.actuary.org.

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1-27-14 – ACADEMY CALLS ON PRESIDENT TO ADDRESS SOLVENCY & SUSTAINABILITY

The American Academy of Actuaries is a 17,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Media Only: *To set up an interview with Tom Terry or an Academy fellow specializing in the pension, health or life practice area, contact Assistant Director of Communications, Public Affairs, David Mendes at mendes@actuary.org or 202.384.2075.*