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Retirement security covers many different subjects. This diversity is on display in the 7th issue of *The Journal of Retirement*, which includes articles on Social Security, public-sector pensions, retiree health insurance, issues in investing for retirement, and policies toward partial retirement, as well as a proposal to enhance the role of 401(k) plans in the distribution stage of retiree finances.

The lead article, "Social Security Costs in the Larger Context of Retirement Saving" by Sylvester Schieber, addresses the changing role of Social Security in financing retirement. His article includes an account of the origins of Social Security and the debate as to whether the system should be financed on a funded or pay-as-you-go (PAYG) basis. He notes that the argument was settled in favor of PAYG. (FDR, as it happens, opposed PAYG.)

Any PAYG public pension system starts with an artificially low ratio of retirees to contributors. The ratio increases over time as more and more contributors qualify for retirement. However, recourse to PAYG financing means that contribution rates can be artificially low at the outset, although they have to be increased over time. This feature of Social Security's finances means that early retirees get a really good deal; the implicit return on their contributions can be very high. The author notes that this feature meant that employers offering defined-benefit pensions and aiming to achieve a targeted ratio of pension and Social Security benefit to income could put in place relatively cheap pensions in earlier years.

Over time, the terms of Social Security, as the author calculates them, became considerably less favorable. He finds that the ratio of benefits net of costs, appropriately discounted to earnings, is now negative for many workers with middle to high incomes. The consequences of PAYG financing are not the only influence on Social Security's costs, of course: increasing longevity and declining retirement ages have also been important. Nonetheless, the increasing cost of Social Security benefits may explain why some workers and employers are struggling to finance the supplementary benefits that most workers need to enjoy a secure retirement. Because of the very large actuarial deficit of Social Security, the author concludes by emphasizing the need for measures to avoid saddling the next generation with a sizeable financial burden.

The decision of when to claim Social Security was discussed in the Summer 2014 JOR article "When Should You Claim Social Security" by David Laster and Anil Suri. The authors argued convincingly that there could be good reasons for delaying a claim. In their article "Why Retirees Claim Social Security at 62 and How It Affects Their Retirement Income: *Evidence from the Health and Retire-*

ment Study," Mark Glickman and Sharon Hermes describe and summarize the work they carried out that sought to explain why, in fact, Social Security claimants might choose to claim at age 62, the earliest opportunity. Although some students of the issue suggest that it may be irrational to claim early unless one is in poor health, the authors find that there are a number of plausible explanations (other than irrationality) for making an early claim. In particular, they find that those members of their sample who worked in physically demanding jobs were much more likely to claim early than those in other occupations. Having a less optimistic view about longevity was another significant factor. One particularly interesting finding was that the income of late claimers aged 72 was much higher than the income of early claimers, even when differences in income at the time of claiming between these groups were controlled for. This could reflect the longer working life, and the additional saving it makes possible, of late claimers.

The financial difficulties of public-sector pension plans have been receiving a lot of attention. The finances of some plans are in fairly good shape, the finances of others, less so. The article by Michael Sabin, "Backtested Pension Math: *An Empirical Look at the Causes of CalPERS Underfunding*," aims to identify causes of the current underfunding of public-sector pension plans administered by the California Public Employees Retirement System (CalPERS). It studies six CalPERS plans using actuarial valuation reports from the past 18 years. The author's approach is to assume that actual rates of return to investment were the same as those assumed, which allows for pinpointing the role of other influences.

The author finds, contrary to conventional wisdom, that investment return played only a minor role in the current underfunding. The primary cause was that annual required contributions were too small to provide full funding. In particular, the normal rate of contribution could not have kept up with the actual growth in liabilities, even if investments had performed exactly as assumed. The author proposes that actuarial valuations include a comparison of ex ante versus ex post normal rates, meaning a comparison of the normal rate that was used to determine the annual required contribution (ex ante), with the normal rate that in hindsight would have been correct (ex post). Such a comparison would give stakeholders a clear understanding of the past accuracy of a plan's actuarial forecast.

Many economists believe that employer-provided pensions create an incentive for early retirement; employees with such pensions, because they can expect a higher income after they retire than employees without a pension, can afford to work fewer years and save less. A similar effect might be present with retiree health insurance (RHI), because retirees without RHI have to save more to obtain an individual policy. However, relatively few studies of the impact of RHI on retirement and saving decisions have been carried out. The article "Retiree Health Insurance and the Retirement Plans of College and University Faculty" by Robert Clark reports on the results of an empirical study, based on a nationwide survey of older university faculty. Its main finding is that the expected age of retirement is not affected by whether or not the faculty member expects to have RHI. This finding may reflect the fact that university faculty tend to retire late, past age 65, at which time they are automatically enrolled in Medicare. The value of RHI is greater when a worker intends to retire well before the age of 65. It would be good to know if a study of occupations that do not tend to retire as late as academics would come to the same conclusion.

The article "The Risk Profiles of 401(k) Accounts" by Ganlin Xu is an empirical study of a large sample of 401(k) plan participants. The study examines the relationship between the riskiness of the portfolios of plan participants, as gauged by the total risk, global beta, total equity, and U.S. and foreign equity exposures of their portfolios, and the participant's age, gender, approach to investment, and whether he or she participates in a pension plan. The main purpose of the study was to see if the portfolio allocation of participants was in line with conventional economic thinking, or whether behavioral biases might be apparent. The study finds evidence not only of behavioral biases affecting the investment decisions of investors with brokerage accounts, but also of two new apparent behavioral biases. First, participants with a defined-benefit (DB) pension do not take more risk, other things being equal, than participants without such a plan. Second, young active participants (participants who have made an active choice of their investments) take less risk compared with young passive participants, while older active participants take more risk than older passive participants.

These findings are not predicted by the conventional model of asset allocation. Someone who will receive a pension is the owner of a bond-like asset, which should reduce the demand for bonds in a portfolio. In addition, people who are active investors are normally expected to take more risk than passive investors. Nonetheless, the findings are not clear-cut: Pension plan participants might be more risk averse than the population at large, while active investors might also be more aware of investment risk.

One of the insights of behavioral finance is the tendency for small investors to overreact to market swings. Even a well-structured portfolio may be vulnerable to panic selling in a downturn. The article "Tail-Risk Management for Retirement Investments" by Vineer Bhansali explains how a policy of tail-risk hedging could deter such behavior by putting a floor on drops in the portfolio, which would mitigate the fears of investors, particularly older investors nearing retirement, that their retirement security would be threatened. Instead of maintaining an overly conservative stance and an unnecessarily low share of equities, investors could hedge their portfolios by deploying options, which have become a much more feasible tool for the small investor in recent years. The article discusses the relationship between the time to retirement and the need to hedge. Investors nearing retirement have to adopt a more defensive position or hedge explicitly, but younger investors can be more aggressive and buy options with lower strike prices.

Research on retirement security in recent years has placed more emphasis on the decumulation phase of retirement finance, in part because the amount of time spent in retirement has increased, and because, apart from Social Security, retirees tend to lack lifetime retirement income. Despite the role that 401(k) plans play in saving for retirement, far too many working Americans do not have ready access to a guaranteed lifetime income stream as part of their plan. Although a growing number of employers have taken steps to increase retirement plan participation and savings through the use of auto-enrollment and auto-escalation of contributions, very few have taken steps to increase the likelihood that an employee's retirement savings will last throughout their lifetime. In "Better Outcomes from Defined-Contribution Plans," Jody Strakosch and Melissa Kahn posit that the allocation of matching employer contributions to a guaranteed lifetime income solution will not only ensure at least a small amount of lifetime income for employees, but may further encourage consideration of such solutions beyond the employer's match. A greater role for these solutions would reduce the extent to which retirees will be left to manage both investment and longevity risk on their own.

Retirement used to entail the total and permanent cessation of work, but this is definitely less true than it used to be. More and more workers become partially rather than wholly retired, although the hours worked can vary greatly from worker to worker. One comparatively recent development is the ability of employees to draw a partial pension while they work. The thesis of "It Is Time to Revisit Public Policy and Options for Older-Worker Employment" by Anna Rappaport is that the laws and regulations that affect rehire decisions and the range of work options available to older Americans have not kept pace with the changing structure of the labor market and needs of older Americans. The article surveys the long list of societal and policy issues that need to be addressed to make partial retirement more feasible. The establishment of safe harbors that would protect employers from liability under the Age Discrimination in Employment Act, among other measures, would benefit both employers and their older employees alike. The article also discusses the different forms that partial retirement can take.

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