Other Risks

Pre-retirement risks	Systematic\Non-Systematic Risk	Background	Management
Death of an active employee spouse	Low\High	Spouses of deceased active members in DB plans may only receive a refund payment upon their spouse's death.	DB plans: Provide defined benefit, deferred until retirement age, for spouses of deceased vested members (non-systematic pooled)
Disability	Low\High	DB plans: Benefit is lower if service and average pay do not increase during disability. DC plans: Employer and employee contributions may cease.	• Provide disability insurance (non-systematic risk is pooled) Employer management of risk in DB Plans: • Count disability towards creditable service • Upwardly adjust average final compensation for disabled employees Employer management of risk in DC Plans: • Allocate some disability compensation towards plan contribution • Employers continue to contribute to plan
Divorce	Med\High	A divorced spouse may not get 1/2 of retirement plan value in divorce, but living costs for 1 person a greater than 1/2 the amount for the living cost of 2 people.	Get the best possible legal, financial, and tax advice at time of marriage and divorce (employee takes on non-systematic risk)
Employment-related income shocks	High\Med	Includes involuntary loss of employment due to economic conditions (layoffs), voluntary loss of employment due to child-rearing or continuing education, loss of overtime pay, furloughs, and pay cuts	The non-systematic risk of unemployment can be mitigated by unemployment insurance Loss of overtime pay, furloughs, and pay cuts reduce the amount of income members have to contribute to their plans. These systemic risks can be mitigated by employers and employees adjusting their contributions to the economic environment (increasing contributions during good years and decreasing contributions during bad years)

Post-retirement risks	Systematic\Non-Systematic Risk	Background	Management
Death of a retired spouse	Low\High	• Some income may stop at the death of a spouse or former spouse. • The death of a disabled person's caregiver spouse may bring financial problems at a very difficult time. • The surviving spouse may not be able or willing to manage the family's finances	• Life insurance (all risk passed on to 3rd party) • Survivor income in Social Security, pension plans and annuities • Long-term care insurance (all risk passed on to 3rd party) • Wills and estate planning are important tools to provide for a surviving spouse
Long-term care	Med\High	The cost of care in later ages may amount to $1 million or more for a couple over their lifetime. Nursing home care costs may reach $70,000 or more per person per year. Care may be provided at home, in adult day care centers, assisted living facilities or nursing homes.	• Purchase long-term care insurance (all risk is passed on to 3rd party)
Unexpected lump-sum expenses	Low\High	Includes unexpected medical expenses for dependents or family members, unexpected repairs to property not covered by insurance, unexpected debt payments on behalf of family members, etc.	Over-annuitizing should be avoided and some amount of liquid assets should be maintained for flexibility (employee takes on non-systematic risk)