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A View from the SOA's Staff Fellow for Retirement

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One topic I've covered regularly in this column is mortality. This topic has been especially relevant for U.S. pension actuaries in light of the new mortality tables and related work released by the SOA Retirement Plans Experience Committee (RPEC) in the last several years. To that end, I thought it would be good to recirculate an update from RPEC that was sent in a July 2016 *Pension Section Update* to SOA Pension Section members on the basis that it never hurts to publicize an important message more than once.

AN IMPORTANT UPDATE FROM RPEC

The Retirement Plans Experience Committee (RPEC) currently has three projects underway:

1) Mortality Improvement

The following describes some recent developments regarding mortality improvement and RPEC's plans for the RPEC_2014 model and resulting scales.

Timing

As indicated in the MP-2015 report, RPEC is planning on providing annual updates to its mortality projection scales, and expects to publish Scale MP-2016 later this year, probably in late October.

Annual updates have a number of advantages including:

- A decrease in the lag time between the most recent data used in the improvement scale and the date of application of that scale.
- More stable financial results, especially during multi-year periods over which mortality improvement is consistently increasing or decreasing.

Reflecting Additional Years of Data

The MP-2015 scales were based on the latest U.S. population mortality data through 2011 published by the Social Security Administration (SSA).

In conjunction with the release of the 2016 Trustees' Report, the SSA has published mortality rates for 2012 and 2013. At a minimum, the MP-2016 scale will reflect these additional two years of SSA mortality rates, the same source of data underpinning MP-2014 and MP-2015. RPEC is also researching other sources of U.S. mortality improvement data that are reliable, current, and consistent with the mortality rates prepared by SSA in order to reduce the lag time.

While the more up-to-date information available from other sources may not be considered as complete and as accurate as the SSA data, some trends can be seen from the recent information. This data indicates that the mortality improvement rates in the five years 2010–2014 are significantly less than the rates in the previous ten years 2000–2009.

Implications for the RPEC Mortality Improvement Model

The RPEC_2014 model used to develop MP-2014 and MP-2015 is based upon the following underlying principles:

- Short-term mortality improvement rates should be based on recent experience.
- Long-term mortality improvement rates should be based on expert opinion.
- Short-term mortality improvement rates should blend smoothly into the assumed long-term rates over an appropriate transition period.

RPEC continues to believe that these principles are valid. As mortality experience emerges, RPEC continues to assess the committee-selected parameters, and will revise them, if appropriate, to reflect recent experience and future expectations and to enhance the year-to-year stability of its mortality projection model. Before adopting any other model that is significantly different from the current model, there would be a full exposure cycle.

In addition, RPEC is committed to an ongoing assessment of the effectiveness of the current model and continues to research new developments and emerging best practices in mortality improvement modeling from the U.S., U.K., Canada, and other countries.

2) Public Pension Plan Study

In August 2015, RPEC initiated a mortality study on members of public pension plans in the United States. This study focuses on mortality experience during calendar years 2009–2013. The committee intends to examine variations in mortality by job classification and geography. The data collection for this study has ended and work is now underway validating the data. Data collection and validation are slightly behind schedule. RPEC

anticipates presenting preliminary results in late 2017 with final publication of new mortality tables in 2018.

3) Private Pension Plan Study

In June 2016, RPEC initiated a new study of private sector pension mortality experience. In addition to reviewing mortality results in aggregate, the committee intends to examine variations in mortality by demographic and employment characteristics (e.g., collar type, industry).

RPEC requests your participation in this study. If your firm has any private-sector pension experience data for the 2010–2014 calendar years, please consider contributing it for our study. Express your intent to participate by contacting Patrick Nolan by email at pnolan@soa.org or phone at +1 847-273-8860. The data collection deadline is Sept. 30, 2016.

If you have any questions about any current RPEC projects, please contact Patrick Nolan at the Society of Actuaries. ■



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