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2003 SOA Pension Plan Turnover Study

by Emily Kessler

The SOA announces the publication of the 2003 SOA Pension Plan Turnover Study. The study has resulted in the creation of new turnover (termination and retirement) tables for the actuarial valuation of pension plans. The study details the analysis of the data and methods used to develop the tables.

Key findings from the study include:

- Confirmation that shape of the termination curve is convex rather than concave. This is consistent with other more recent studies of turnover experience but different from the T-tables, which were based on practical experience and intuition.
- Termination rates are highly correlated with both age and service, but vary more by service in the early years.
- Termination rates are slightly higher for females than males at ages 25-55, but this study showed a much smaller difference than in prior studies.

A summary report providing guidance on usage and interpretation of the tables includes five core tables pulled from the full study:

- The Basic Age Table – This table is based on all the data that were not rejected for the study. It includes information for different types of pay (hourly, salaried), employment (union, non-union), plan (final average, career average, flat benefit, hybrid), industry, etc. It shows both termination and retirement rates. Rates are determined by age. Note that while retirement rates are shown in this table, they may be more difficult to apply directly as they represent experience from plans with different early retirement provisions and early retirement subsidies.
- The Basic Service Table – In this table, termination rates are determined by year of service. As for the Basic Age Table, this table is based on all

the data that were not rejected for the study and includes information for different types of pay, employment, plan, industry, etc.

- The Select & Ultimate Table – This table shows rates of termination for four service categories by age: Service under two years, Service of two to four years, Service of five to nine years, or Service of 10 years and over. This table is based on all the data that were not rejected for the study and includes information for different types of pay, employment, plan, industry, etc.
- Small (1000 lives or less) Plan Age Table – This table is based on the data for plans with less than 1,000 active participants (68 plans and 82,000 life years). Termination rates are somewhat higher than in the Basic Age Table, and more so at the younger ages. Rates are determined by age.
- Small (1000 lives or less) Plan Service Table – Similar to the Small (1000 lives or less) Plan Age Table, but termination rates are determined by year of service. This table is also based plans with less than 1,000 active participants (68 plans and 82,000 life years). Termination rates are somewhat higher than in the basic service table, until about 20 years of service.

The study was completed by Jed Frees, of the University of Wisconsin and overseen by the SOA's Non-Mortality Decrement Task Force, chaired by Kelley McKeating. Evan Inglis and the Task Force wrote the companion summary report to the full study. In addition, a previously released report describing the database used to create the tables can be referenced for further information on the underlying characteristics of the data. The full report, the summary report and the report describing the database are available at <http://www.soa.org/ccm/content/research-publications/research-projects/2003-soa-pension/>. Any questions on the study, please contact Steve Siegel at ssiegel@soa.org (847) 706-3578 or Emily Kessler at ekessler@soa.org (847) 706-3530. ♦

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