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A VIEW FROM THE SOA'S STAFF FELLOW FOR RETIREMENT

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As we start a new calendar year, I want to highlight a key SOA project of particular relevance to pension actuaries. The SOA's Retirement Plans Experience Committee (RPEC) will be publishing exposure draft reports for new pension-based mortality tables and projection scales. The new tables, RP-2014 (base mortality tables) and MP-2014 (mortality projection scale) are intended to replace the RP-2000 tables and associated Scale AA projection scale. These are the first new tables for U.S.-based pension mortality in over a decade, other than the interim Scale BB release issued by RPEC in 2012, so this is a significant development. I encourage every actuary working in the pension arena to read the exposure reports and learn about the new tables and projection scale techniques. In addition, the exposure reports provide directions on how to provide feedback to the SOA during the comment period.

While the topics of mortality improvement and appropriate projection methodologies are subject to debate, I hope that the core tenet of projecting mortality improvement is not. Certainly for U.S.-practicing actuaries, the Actuarial Standards Board has recognized the importance of mortality improvement by requiring disclosure of mortality improvement assumptions in ASOP #35. As foreshadowed by the RPEC's release of interim Scale BB in 2012, the new MP-2014 scale is being released as a "two-dimensional" scale based on both age and year-of-birth. (In fact some suggest that the new scale is actually three-dimensional since we are already used to projection scales based on age and sex—and the sex-distinction continues in this new version.)

We expect there may be questions about whether this new two-dimensional approach is necessary. Some may argue it is too much "fine-tuning" for limited additional benefit (particularly for smaller pension plans) or that software systems will not be able to

handle this approach. However, a key aspect of the SOA's role as an educational and research association is to encourage the evolution of best practice, not merely maintain the status quo. We know that currently used projection scales based purely on age, have not done a particularly good job of reflecting recent historical mortality improvements. Two dimensional approaches provide users with the opportunity to model anticipated mortality improvement trends simultaneously over broad ranges of ages and year-of-birth cohorts, something that has not been possible with one dimensional approaches. In addition, two dimensional approaches are already in use or being encouraged in other countries such as the United Kingdom and Canada.

In conjunction with the release of these new mortality tables, the SOA is working on several projects in the education area. To help actuaries understand the new tables and projection scale and the methodology used in creating them, the SOA will be hosting a webcast covering this topic on April 16, and there will be sessions on this topic at the 2014 Enrolled Actuaries meeting. In addition, we are working on an educational presentation deck that will include "client-ready" slides that actuaries can insert into their own presentation decks for use in client situations when discussing mortality improvement, in general, and these new tables. In the meantime, if you have questions or comments, feel free to contact me or Bill Roberts (bill.roberts@towerswatson.com) who chairs the RPEC. ■