



The Actuarial Profession

making financial sense of the future

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Longevity trends and their implications for pension funding

Stewart Ritchie
President
Faculty of Actuaries

Longevity trends and their implications for pension funding

- The story of UK longevity projections
- UK self administered pension scheme mortality 2000-2004
- The context / implications for UK pension funding
- Relevance in the Caribbean?

The story of UK longevity projections (1)

- The 1992 tables
- The cohort patches
- The 2000 tables
- No projections
 - Because of uncertainty
- Uproar

The story of longevity projections (2)

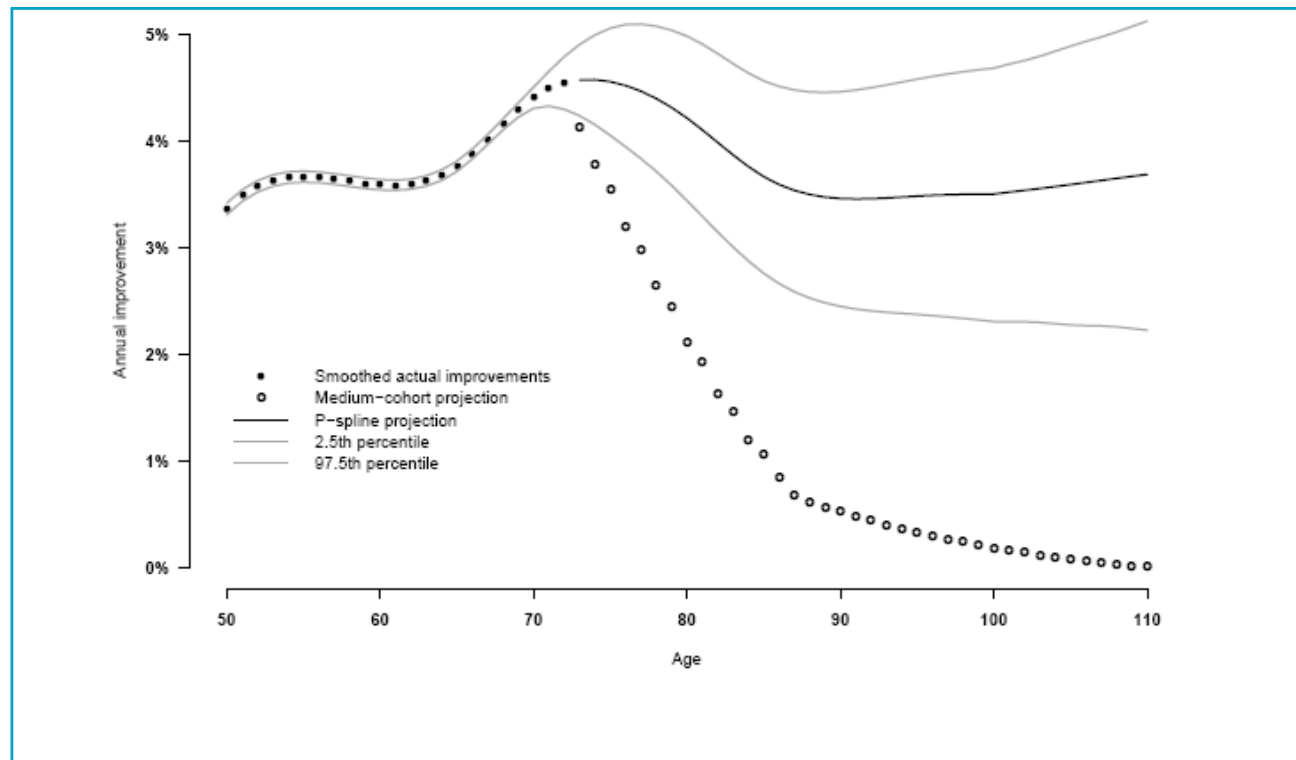
- CMI working paper 27 (July 2007)
- Assume an appropriate base table
- “Library” of mortality projections
- A set of tools, not a recommendation
 - Judgement still needed
- Will consensus projections develop?

The story of longevity projection (3)

- The CMI library consultation
- The Presidents' letter
- The BAS statement
- The FT story
- Why?

The story of longevity projections (4)

Male Pensioner Longevity Improvements – Recent Past and Possible Future



UK self-administered pension scheme mortality 2000 - 2004

- CMI working paper 29 (October 2007)
- Key conclusions
 - Year-to-year variability (lumpiness?)
 - Improving trend
 - Higher mortality than annuitants
 - Heavy at young ages
 - Significant variation by
 - Pension size
 - Industry
 - But this decreases with age

Context / implications for UK pension funding (1)

Sector	Average male pension	Relative mortality
Financials	13471	109
Utilities	8690	124
Local authorities	5056	134
Cyclical consumer goods	3496	132

Source: CMI WP29

Context / implications for UK pension funding (2)

- “Library” comparative values

Expectation of life for male age 65 in

	2005	2015	2025
“92” series	19.976	20.732	21.315
Medium cohort	21.360	22.088	22.645
Long cohort	23.035	23.794	24.373
ONS 2004 males principal	22.263	23.254	24.099
PSAP male ASS 2005 50	22.720	25.645	28.875

Base table PCMA00

Source: CMI WP27

Context / implications for UK pension funding (3)

- Library comparative values

Male aged 45, 20 year deferred annuity @ 5%

“92” series	4.538
Medium cohort	4.698
Long cohort	4.860
ONS 2004 males principal	4.704
PSAP male ASS 2005 50	5.139

Base table PCMA00

Source: CMI WP27

Context / implications for UK pension funding (4)

- Specimen reserves
- Male aged 45, 20 year deferred pension
 - Typical funding 4.930 or 4.159
 - FRS17 4.665
 - Buyout 11.126
- Lots of qualifications re assumptions and expenses

Source: AEGON UK October 2007

Context / implications for UK pension funding (5)

- Psychology of slow pace of funding
 - Sponsor)
 - Trustees) Don't rock the boat
 - Members)

Relevance in the Caribbean?

- Do your countries have a culture of allowing for future improvements?
- What rates of improvement are going on in the portfolios you work with?
- Are you coming under pressure not to assume future longevity improvement?