

## Industry Update

### New mortality projections – a small piece of good news

The Continuous Mortality Investigation (CMI) of the Institute and Faculty of Actuaries has released the 2016 version of its Mortality Projection Model.

#### What does it predict?

Life expectancies are projected to be lower than under the CMI's 2015 model. Male life expectancies have fallen by around 1% and female life expectancies have fallen by around 2% in the 45 to 75 age range.

#### That's a bad thing isn't it?

Yes, for people looking forward to longer retirements.

But it is a small piece of good news for the sponsors of pension schemes looking for a respite from increasing liabilities. The effect on the average pension scheme of adopting the new mortality projections could be a 2% - 3% fall in liabilities at the next triennial valuation.

#### But I keep hearing that longevity is improving?

It is!

People today are still expected to live longer than those from past generations.

However, since 2011 the CMI has been reducing its estimates for increases in longevity. At first this was thought to be reflecting short term blips in the data (for example due to the ineffectiveness of a recent influenza vaccine), but it is now thought to be a long term trend.

#### 2% - 3% fall in liabilities... that doesn't sound a lot?

You're right.

Changes in mortality projections have a much smaller effect on pension scheme liabilities than changes in interest rates. For example falls in the interest rates underlying valuations over the last five years have increased liabilities by in the order of 20%.

#### What should I do?

Nothing right now.

Your Scheme Actuary will be in touch with you when the time next comes to set assumptions.

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