



Retirement Plans Experience Committee Update

August 2020

The Retirement Plans Experience Committee (RPEC) currently has two projects underway: ongoing mortality improvement research and beginning its update to the public pension plans mortality study.

Mortality Improvement Update

Timing

As it has done for the past several years, RPEC is planning on providing another annual update to its mortality projection models and scales later this year, with a target release date 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 COVID-19

Actuaries are being asked about the effects of COVID-19, and some have inquired whether the RPEC projection scales published in 2020 would reflect any adjustment for the impact of COVID-19 on mortality patterns in 2020 and beyond. As the determination of these effects is highly subjective, and could be very dependent on plan-specific demographic circumstances, any such adjustment will need to be handled outside the models provided by RPEC. The final toll of deaths caused by COVID-19 and the after-effects on survivors are not yet known. Until this information becomes available, actuaries will need to use professional judgment to determine how to adjust for COVID-19.

Methodology

The RPEC_2014 model used to develop recent RPEC improvement scales 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, and continues to assess the committee-selected parameters. RPEC 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. In particular, RPEC is considering the recommendations of a recent technical panel report to the Social Security Advisory Board to align the ultimate long-term rate to long-term historical experience as well as to vary the ultimate rate of improvement to reflect differences by age.

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

Pension Mortality Studies

In January 2019, RPEC produced a mortality study on members of public pension plans in the United States based on data from the years 2008-2013. RPEC had been planning to get the data collection for the next public pension plans study started this year. Due to the COVID-19 outbreak, the commencement of this project has been delayed until at least 2021.

In October 2019, RPEC produced a mortality study on members of private pension plans in the United States based on data from the years 2010-2014. The next study for private pension plans has not yet begun; it is anticipated that this will be scheduled to commence at least one year after the public plans study.

For More Information

If you have any questions about any current RPEC projects, please contact Patrick Nolan at the Society of Actuaries at pnolan@soa.org or (847) 273-8860.

About the Society of Actuaries

The Society of Actuaries (SOA), formed in 1949, is one of the largest actuarial professional organizations in the world, dedicated to serving 32,000 actuarial members and the public in the United States, Canada and worldwide. In line with the SOA Vision Statement, actuaries act as business leaders who develop and use mathematical models to measure and manage risk in support of financial security for individuals, organizations and the public.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follows certain core principles:

Objectivity: The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

Quality: The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and non-actuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

Relevance: The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

Quantification: The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

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