

## SOUTH YORKSHIRE PENSIONS AUTHORITY

3 DECEMBER 2015

### Report of the Fund Director

#### ACTUARIAL VALUATION 2016: BACKGROUND INFORMATION

1) Purpose of the Report

To advise Members about the findings of recent research conducted by the Institute and Faculty of Actuaries regarding deaths.

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2) Recommendation

**Members are asked to note the report.**

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3. Information

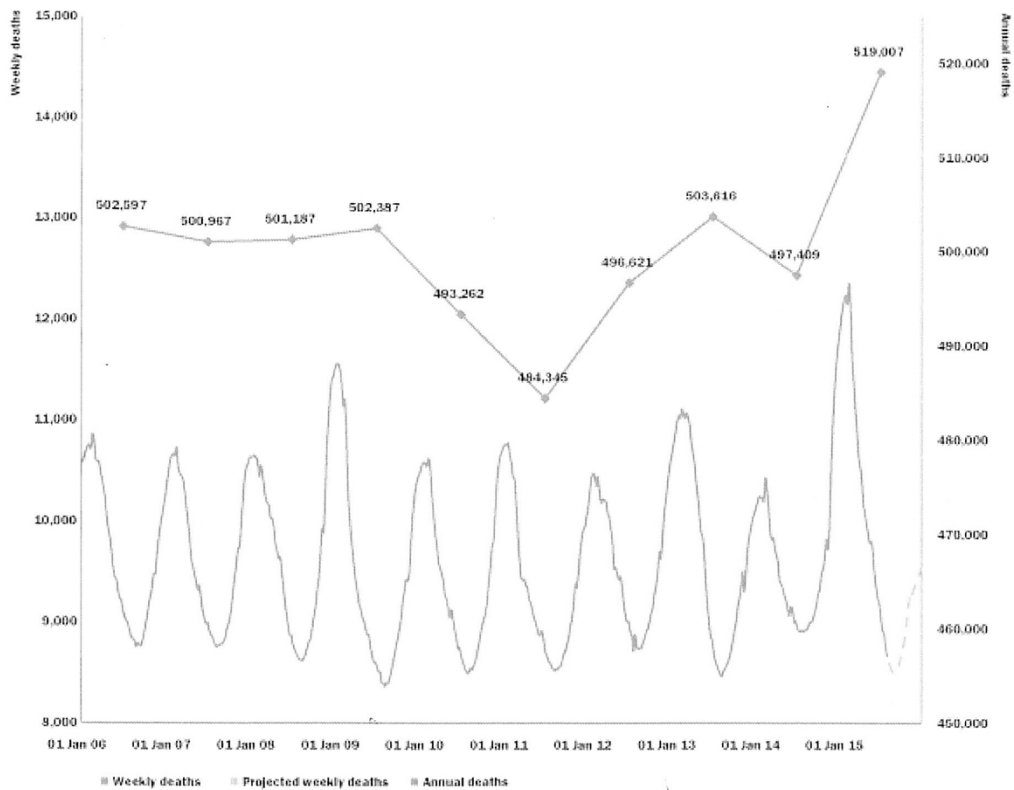
3.1 As part of the information process ahead of next year's actuarial valuation it is interesting to note that recent analysis by the Institute and Faculty of Actuaries (IFoA) suggests that life expectancy in England and Wales is not improving as expected.

3.2 Despite the widely held expectation that people will continue to live longer than those who went before them the IFoA has for the third time in the last four years found no material improvement in life expectancy. In fact, more people are expected to die in 2015 than in any other year in the last decade.

3.3 The assumption, therefore, is that pension fund members are expected to have slightly shorter lives than previously thought. It should be noted that this is not SYPF specific data. The decline in longevity is only 3 to 4 months but that is significant when funds need to manage the largest unhedged risk they face.

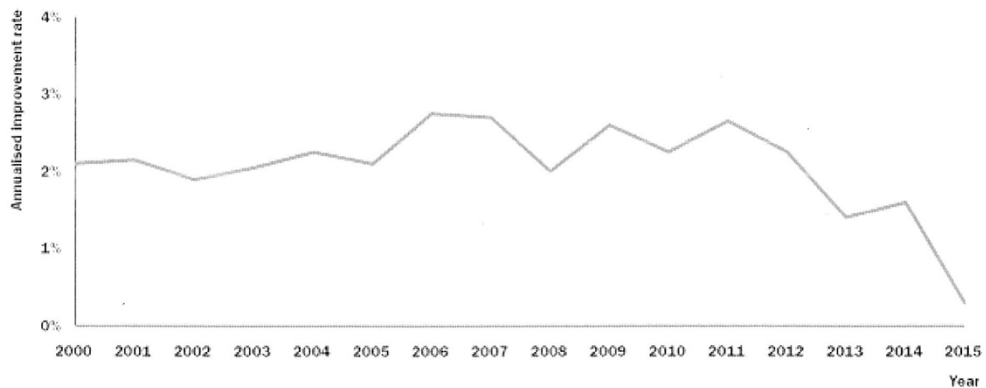
3.4 The following graph shows the number of deaths each week and year since 2006. These average roughly 10,000 deaths per week and are clearly subject to seasonal variations. The large peak in deaths in the winter of 2014/15 is the highest level in the last fifteen years and is probably due to the reported ineffectiveness of the flu vaccine last year during an otherwise mild winter.

Figure 01. Weekly and annual deaths over the period from 2006 to 2015 (Weekly deaths are a 13 month moving average)



3.5 The annual change in death rates is also revealing. The rapid improvement of the twentieth century continued through the first decade of this century but has fallen considerably since. The annual improvement was 2.5% per annum. Death rates in 2015 were actually 2.3% worse than those in 2014 which compares starkly with the broad assumption used in most pension funds that there would be an ongoing average improvement of 1.5% per year. See the graph below.

Figure 02. Annualised mortality improvements from 2000 to 2015 (Four year moving average)



3.6 The IFoA has also released its latest longevity model which is predicting life expectancies at age 65 that are 1%-1.5% lower than in the 2014 model.

3.7 However, in addition to the obvious caveats surrounding the interpretation of data it has to be noted that projecting longevity extrapolates recent experience into the medium term future with particular sensitivity. Therefore, the relatively large number of deaths during 2015 to date might be having a disproportionate effect on long term estimates.

3.8 It is becoming increasingly important to be aware that improvements in health expenditure and lifestyle, for which the past is no clear indicator of the future, need to be viewed alongside extrapolated data as well as medical advice regarding the outlook across all major disease groups. Nevertheless, some commentators view the recent experience as signs that the quick wins in longevity improvement are coming to an end.

4) Implications

4.1 Financial

There are no immediate financial implications.

4.2 Legal

There are no legal implications.

4.3 Diversity

There are no diversity implications.

4.4 Risk

There are no risk implications.

Officer responsible:-

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Background papers used in the preparation of this report are available for inspection at the offices of the Authority in Barnsley

Other sources and references: IFoA; Mercers; Towers Watson