

# Continuous Mortality Investigation (“CMI”) Consultation on “S4” Series mortality tables

*I am writing on behalf of Lane Clark & Peacock LLP in response to the SAPS Committee’s consultation regarding the next version, S4, of the mortality tables for Self-Administered Pension Schemes (SAPS) as set out in Working Paper 174.*

*Lane Clark & Peacock LLP (“LCP”) is a firm of financial, actuarial, health and business consultants, specialising in the areas of pensions, investment, health, insurance and business analytics.*

As background to our use of the SAPS mortality tables, we typically scale tables to achieve consistency with the tables produced by our internal mortality models. Our main area of interest is therefore the shape of the S4 tables, and whether these differ materially to the shape of the S3 tables. However, we also have a keen interest in the allowance of IMD in mortality tables and are therefore particularly supportive of this proposal.

We are broadly supportive of the Committee’s proposal and have no material concerns with the approach set out in WP174.

We have set out answers to the questions posed below.

## 1) Do you agree with the proposal to graduate the S4 tables to data for calendar years 2014 to 2019?

In principle we agree with the decision to graduate the S4 tables over the period from 2014 to 2019, effectively excluding data from 2020 and 2021 from the typical eight-year periods used for the S2 and S3 series.

## 2) Do you agree with the proposal to allow for age, gender, member type, pension amount, and IMD in the S4 tables, but not to allow for industry, sector or region?

We are supportive of the Committee’s preferred approach to allow for the existing rating factors used for the S3 tables and the new IMD factor, and have no material objections to making no allowance for industry, sector or region.

We would also be interested in the supplementary analysis on differences in mortality by sector suggested in the consultation. If similar analysis has also been carried out by region, this may also be of use.

## 3) Do you agree with the proposal to exclude data for male Pensioners with pensions of less than £300 p.a. from the S4 tables?

We have no material objections to this proposal.

## 4) Do you agree with the proposal not to adjust tables based on the IMD dataset to allow for the differences in experience between the IMD and the total datasets?

We have no material objections to this proposal.

We agree that it would be helpful for the Committee’s analysis on the differences in experience between the IMD and total datasets alongside the S4 release.

## 5) Do you agree that we should produce all of the tables shown in Table 3.1 for the S4 series?

We agree with the proposal to produce the same tables as included in the S3 series, as set out in Table 3.1.

We note that the \_VL tables continue to be graduated to a subset of the data underlying the \_L tables. We would encourage the Committee to consider if

this remains appropriate or whether distinct bands could be chosen (as we understand is the case with the IMD tables).

**6) Are there any additional tables (other than those shown in Tables 3.1 and 3.2) that you think should be produced for the S4 series?**

There are no further tables we would suggest are included at the current time.

**7) Do you agree in principle with the proposal to produce tables that vary by a combination of IMD and pension amount?**

We are supportive of the proposal to allow for IMD in addition to pension amount. In particular, we are supportive of the range of mortality rates in the female tables that have been produced, which were not possible when varying by pension amount alone.

We note the Committee's view that the proposed groupings could be difficult to explain to non-technical audiences, however we do not think that this would be insurmountable to overcome.

**8) Do you agree that the proposed number of tables by IMD and pension amount is reasonable?**

We are comfortable with the proposed number of tables by IMD and pension amount for the S4 Series.

However, if IMD data coverage does continue to improve, and the Heavy, Middle, Light and Very Light tables are superseded by the IMD tables for the S5 series, then we would expect to see the IMD tables extended at that point to cover Normal Health to ensure consistency moving between S4 and S5.

**9) Do you have any objections to the proposed naming convention for the IMD tables?**

We have no material objections to the proposed naming conventions.

We note that the current naming convention of the pension band tables use the notation Heavy, Middle, Light and Very\_Light. Instead of using Groups 1-4, the IMD tables could follow the same convention.

For example, the current pension band names could be preceded by a P for Pension Band, and the new IMD bands preceded by an G (ie, \_PL and \_GL for "pension-band Light" and "Group Light" respectively).

**10) Do you agree with our proposed methods in Section 4?**

We are comfortable with the proposed methods in Section 4, given there are no material changes to the methodology compared to S3 for non-IMD S4 tables.

We are also comfortable with the proposal to use the Core version of CMI\_2021 to adjust the exposure data before graduation.

**11) Do you agree with the amount bands proposed for the S4 tables?**

We are comfortable with the proposed pension amount bands.

**12) Do you agree with the methods proposed in Section 6.1 and in Appendix 3?**

We are comfortable with the proposed methods proposed in Section 6.1 and Appendix 3.

**13) Do you agree with the proposed groups in Table 6.1?**

We are comfortable with the proposed methods proposed in Section 6.1 and Appendix 3.

## 14) Do you have any other comments?

### Interaction with the “w” parameter in the CMI Model

The Mortality Projections Committee (“MPC”) have adopted a 25% weighting to 2022 data in the CMI\_2022 model, which it proposed with a view that most users would consider it reasonable. We would encourage the SAPS Committee and the MPC to work closely together when S4 and CMI\_2023 are released in Q1 2024, to ensure that there is consistency in the sensitivity of the CMI\_2023 model when used with the S3 and S4 series of base tables. It would be helpful if sensitivity analysis of the CMI\_2023 model to the choice of S3 or S4 base tables could be included alongside the CMI\_2023 release. Although we have not carried out the analysis ourselves, it may be that different choices of weight parameters have minimal impact on mortality rates between 1 January 2013 and 1 January 2017, making this a largely immaterial consideration. We also acknowledge that this consideration falls more within the remit of the MPC than the SAPS Committee.

We are grateful for the Committee’s consultation process, have no further comments and are supportive of the Committee’s preferred approach.

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