



Punter Southall
CONSULTING ACTUARIES



Specialist interactive tools



Bringing clarity to mortality assumptions

Punter Southall's Bespoke Longevity Generator (BeLonG) ensures that trustees and sponsors of pension schemes of all sizes use the most relevant mortality rates for their workforce.

BeLonG, developed by Punter Southall, is a model which enables all schemes to take account of the socio-economic characteristics of their members, enabling you to choose, with greater confidence, mortality assumptions that reflect the reality for your specific scheme.

Background

Published tables of mortality rates have clearly demonstrated that life expectancy is improving rapidly in the UK, making mortality a key factor in UK pension schemes.

It has also become evident in recent years that a scheme's experience of longevity depends on the make-up of the members of a scheme and socio-economic factors, such as the members' occupation and wealth.

Standard tables cannot allow accurately enough for the variations between different types of members. Yet it is a requirement of the Pensions Regulator that trustees should pay particular attention to this assumption and consider the latest available relevant data as well as scheme, employer and geographical factors. This is combined with the legislative requirement that mortality tables "must be based on prudent principles, having regard to the main characteristics of the members as a group and expected changes in the risks to the scheme".

There is considerable evidence that longevity is affected by a number of socio-economic factors and it is these factors that legislation requires trustees to consider.

What factors does BeLonG take into account?

Pension size

Life expectancy is generally longer for those with higher pensions as pension size is a proxy for wealth and lifestyle.

The recently published SAPS tables, which show variation in life expectancy by pension income of members of self-administered pension schemes (SAPS), gives further evidence to support this.



Residential area

Life expectancy is generally shorter for those living in Scotland and the North of England and longer for those living in the South-East.

Industry

Life expectancy is generally shorter for blue-collar workers.

What can BeLonG do for you?

BeLonG can produce a unique table of mortality rates for each scheme that reflects the characteristics of the membership using the most recent evidence available about socio-economic factors.

This can help ensure that you have the best possible starting point for going on to consider how these rates might improve going forward.

How does BeLonG work?

BeLonG works on the individual data for each pensioner and non-pensioner member in a scheme. It looks at information about their pension size or salary, the area in which they live and their occupation in order to build a picture about the specific characteristics of each individual. Using evidence from a number of credible sources (such as the research carried out by the CMI of the Institute of Actuaries into self-administered pension scheme mortality) BeLonG derives an individual rating factor for each member.

BeLonG will combine the individual rating factors in order to produce a recommended starting table to use for the scheme as a whole. This table will be based on a published standard but with scheme specific adjustments to reflect the socio-economic features discovered within the membership and the profile of its liabilities.

If appropriate, BeLonG can be validated against the mortality rates actually experienced under the scheme over a given period.

"The Trustees found BeLonG to be an extremely valuable addition to their consideration of current mortality rates expected to be experienced by members of the pension scheme. This innovative Punter Southall product included clear analysis and reporting. From a compliance viewpoint, we also felt that BeLonG would enable us to demonstrate the best practice analysis the Pensions Regulator is looking for."

Chairman of the Trustee Company,
Punter Southall client

Case study

We recently carried out a BeLonG analysis for a pension scheme whose members are based primarily in the East Midlands and whose sponsoring employer specialises in the quarrying industry.

The analysis showed that the characteristics of its members implied a life expectancy of 2 years less than that implied by the standard table which would have otherwise been used if a BeLonG analysis had not been carried out.

This enabled the Trustees to justify reducing the overall scheme funding liabilities of the scheme by 6% on the basis of the latest available evidence on mortality.



Get in touch

To find out more about BeLonG, please contact Ross Matthews.



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For further information, visit our website at www.puntersouthall.com

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