



Public Service Pension Schemes at GAD

Newsletter: January 2019

If you would like to discuss any of the topics in this letter, or if you have any ideas for future topics, just let your usual GAD contact know.

GAD News

Actuarial factors: Following the change in the SCAPE discount rate confirmed at the October budget we are continuing to update the actuarial factors for all the public service schemes —some 700 sets of factors, comprising 500,000 individual factors. Most of these are now with administrators and we will be moving on to update the several hundred associated guidance notes shortly.

Personal injury discount rate: This is the rate used by courts to determine lump sum damage awards payable to claimants who suffer a serious personal injury. The rate was changed very significantly in February 2017 (from 2.5% to -0.75%) following a review by the then Lord Chancellor, the Rt Hon Elizabeth Truss MP. The Civil Liability Act 2018 which received Royal Assent on 20 December 2018 introduced a change to the way the PI discount rate is to be set in the future. This provides for the Government Actuary to be involved in setting the rate. Our [technical memorandum](#) has more details.

GAD centenary 2019: This year marks 100 years since the formation of the Government Actuary's Department. We have a number of activities planned to celebrate this significant landmark.

Hot Topics

McCloud judgement: Just before Christmas the Court of Appeal determined that the transitional protections introduced as part of the 2015 scheme reforms for judges and firefighters were age discriminatory. The Court also found that the protections were indirectly discriminatory on the grounds of sex and race. The Court found that the decision to protect older judges and firefighters from the scheme reforms was irrational, and that the absence of evidence supporting this aim meant that there was no basis on which it could have been found to be legitimate.

The government has applied for leave to appeal the case, with a decision on whether the application will be allowed expected in February. The implications for the other public service pension schemes are unclear at present.

Public service pensions – facts and figures

On 23 January the House of Commons library published a [briefing paper](#) providing an overview of the nature, membership and financing of public service pension schemes across the UK. It also outlines the reforms made to those schemes in recent years to address financial sustainability, and usefully draws together a range of information sources for each scheme.



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Actuarial made simple (an occasional series explaining some important actuarial topics.)

Cohort and period life expectancies

Life expectancy is the average number of additional years a person can expect to live if they experience the age-specific mortality rates of a given mortality table for the rest of their life. There are two different ways of calculating it.

If the question is "What lifespan should I expect?" the technically correct answer will be given by cohort life expectancy. This follows the life course of a cohort of people defined by age in a given year. For example, cohort life expectancy for the 1981 birth cohort would be calculated using the mortality rates for a new-born in 1981, a one-year-old in 1982, a two-year-old in 1983, a three-year-old in 1984 and so on.

On the other hand, period life expectancy for 1981 would be calculated using the mortality rates as they were in 1981 for each age from birth until the highest age to which people are assumed to live.

Period life expectancy is useful as a summary of relative mortality levels between populations, but will underestimate realistic expected lifespans because it does not allow for expected improvements in longevity.

GAD uses cohort life expectancy in our valuations of the public service pension schemes. Often, reports in the media quote period life expectancy, whereas the cohort version would be more relevant when considering how long a pension is likely to be paid for.

If you are interested in the subject of mortality, you might like to take a look at GAD's [mortality insights bulletin](#).

Your GAD contacts:

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|---------|------------------|---------|----------------|
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| Fire: | Chris Mulholland | Police: | Samantha Watts |
| Judges: | Michael Scanlon | RCPS: | Sandra Bell |
| LGPS: | Michael Scanlon | TPS: | Matt Wood |
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