

ONS consultation on prospective new method for setting mortality assumptions for national population projections

I am writing on behalf of Lane Clark & Peacock LLP in response to the ONS' consultation regarding its prospective new method for setting mortality assumptions for national population projections.

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We welcome the ONS investing resource into reviewing its method for projecting future mortality of the UK population. In our view, mortality projections are important for a range of purposes, not least informing government policy regarding the State Pension. We believe that the proposed approach by the ONS would bring the modelling conceptually closer to approach adopted by the Continuous Mortality Investigation ("CMI"), which within the actuarial profession, is viewed as the industry standard.

To date, we have not been a significant user of the ONS' mortality projections. Instead, we have used them from time-to-time for benchmarking other models and to comment on government policy (e.g. state pension age reviews). We make significant use of the CMI mortality projection model ("MPM").

1. Structure of model

We have been using since their inception the suite of mortality projection models produced by the CMI, a subsidiary the Institute and Faculty of Actuaries.

The approach proposed by the ONS bears many similarities with this suite of models, in particular fitting an age-period-cohort model to mortality improvements. We are supportive of these changes and note that they have held up to scrutiny well when used by the CMI.

There are some areas of difference between the proposed approach and those used by the CMI, such as the treatment of old-age mortality. We support the ONS proposal to consider old-age mortality separately to the rest of the population. The MPM tapers mortality improvement at older ages.

We are also supportive of the added flexibility to weight up more recent data, and weight down more historical data, if the former is viewed as being more representative of the future.

2. Timing of implementation and impact of the pandemic

The Covid-19 pandemic (and other recent geopolitical events) mean that it is particularly clear at the current time that past mortality experience may not be a good guide to the future.

We note that ONS proposes to model 'mortality shocks', such as the impact of the Covid-19 pandemic, by spreading the period effect over 4 years. This seems a sensible and pragmatic approach. Our understanding of the proposal is that any future trend since the pandemic will be introduced into the modelling via the inclusion of future year's data. Again, we believe this is a sensible approach.

The proposal results in longer period and cohort life expectancies than the current ONS approach. This may seem counter-intuitive in light of the direct and indirect impacts that the pandemic has had on mortality to date and may have in the future. In fact, the proposal brings period and cohort life expectancies at age 65 much closer to the current MPM for both males and females. However, the CMI has released its own consultation on the next version of the MPM (CMI_2022). If the CMI proposal is adopted, the life expectancies from CMI_2022 will be more similar to the current ONS approach than the ONS proposal.

3. Use of expert judgement

We believe that future improvements in mortality rates are best informed by a combination of expert judgement, past statistical modelling and driver-based models. These areas can result in materially different answers and so combining them together is not trivial.

We welcome that the ONS is continuing to use its “NPP mortality expert advisory panel”. We are not aware of the membership of this panel but we see similar approaches taken within the Insurance and Pensions industries. This approach works well where it includes a multi-disciplinary skillset which might include demographers, statisticians, medical doctors, epidemiologists, actuaries, futurologists, policy makers and economists. Some of the drivers of changes to future mortality rates are inevitably non-medical – for example, some of the progress made on cardio-vascular survival rates is due to the widespread adoption of GPS and mobile phones, enabling members of the public to call ambulances to their exact location. Having the panel with as wide an expertise as possible would maximise the probability that changes are foreseen.

We note that you have considered expert opinion in a range of places in your proposal, for example to inform the long-term rate of future improvements, the impacts of mortality shocks and to the weights placed on past data. Our belief is that expert opinion needs to be relied on in the both the short-term and long-term given the current uncertainties. Indeed, it may be that we are at an inflection point for mortality improvements that would not be picked up from past statistical analysis alone. We welcome your proposal to use a wide range of experts.

We are keen that the ONS is well positioned to produce the best projections possible and would be happy to participate in further consultations or to put forward actuarial or clinical experts for the NPP mortality expert advisory panel if useful.



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