

Accounting reporting as at

31 March 2022

Employer briefing note pre-accounting date

Barnett Waddingham LLP 10 February 2022





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Executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2022 accounting exercise. It sets out our recommended assumptions along with key changes since the previous accounting date and information about what employers need to do. This document has been prepared in advance of the accounting date based on our proposed approach, and will be updated after the accounting date to reflect updated market information at the accounting date. This document is based on market conditions up to 31 January 2022.

This briefing note assumes a previous accounting date of 31 March 2021. For employers whose previous accounting date was not 31 March 2021, this briefing note provides a summary of our recommended assumptions for 31 March 2022 only; should a summary of the key changes since an employer-specific previous accounting date be required then please let us know. Additional fees will apply.

This note complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

How has the balance sheet changed over the year?

The change in the balance sheet position over the year is dependent on the following key variables. In the table below we detail the approximate impact and each of these variables is discussed in more detail in this briefing note:

Variable/assumption	Impact on balance sheet?	Comments
<u>Asset returns</u>	1	Asset returns have been higher than the discount rate assumed at the previous accounting date.
<u>Discount rate</u>	1	Discount rates have increased which will improve the balance sheet position.
Inflation	—	Inflation expectations have increased which will worsen the balance sheet position.
Allowance for actual pension increases	—	The 2022 pension increase is higher than previously assumed which will worsen the balance sheet position.
<u>McCloud</u>		Most employers have already made an allowance for McCloud in their previous disclosures.
Overall	1	Overall, we expect the balance sheet position to improve slightly compared with last year for most employers.



Please note that these general principles are based on an average employer in an average fund with a duration of 20 years. The actual effect of the change in these variables and assumptions will depend on each employer's individual circumstances.

As a participating employer, what do I need to do?

The assumptions set out in this report are the standards that we intend to use unless instructed otherwise. We therefore recommend employers discuss this note with their auditors and agree whether the standard approach is appropriate. The salary increase assumption, for example, is often tailored by the employer to reflect their anticipated pay increase awards.

ACTION: The employer must let the fund know if they want to adopt a different approach or set of assumptions. To assist in this decision, we can provide employers with a deficit modeller which provides an indication of the impact of any changes to their accounting position.

How much will my IAS19/FRS102 report cost?

The fund will communicate fees to employers. There may be additional fees if there are particular features or events for an employer which need to be taken into account including:

- where an employer chooses their own assumptions;
- if there are additional calculations to be carried out if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- allowance for actual inflation experience;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask queries following receipt of the report.

Where can I get further information?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here.

ACTION: Please get in touch with the fund or your usual Barnett Waddingham contact if you have any queries.



Assets

Asset performance

Asset returns can be very volatile from year to year and will vary by LGPS fund.

A typical LGPS fund might have achieved a return of around 8% for the period from 31 March 2021. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy.



If the actual asset return for the Fund over the year is higher than the previous discount rate, this will lead to an actuarial gain on the assets; improving the overall position.

How are my assets valued?

To calculate the asset share for an individual employer, we roll forward the assets allocated to each employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

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Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2022, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2022 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2022 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

As required under the IAS19 and FRS102 accounting standards, we have used the projected unit credit method of valuation.

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and possible outcomes using market conditions at 31 January 2022.

Discount rate

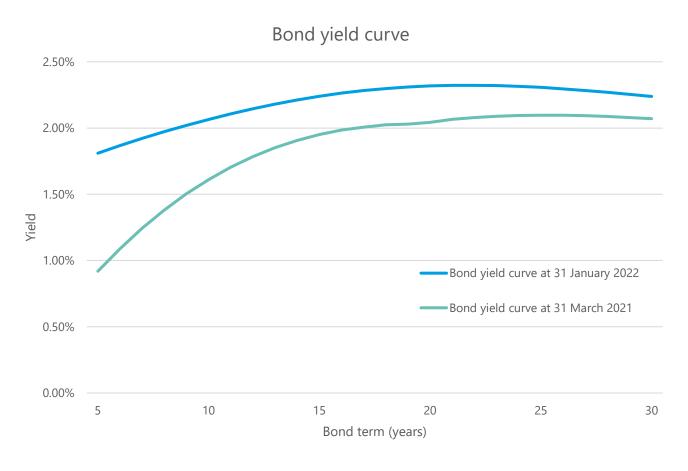
Under both the IAS19 and FRS102 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.



The standard assumptions set for an employer will be based on their individual duration. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 13 year cashflows.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 January 2022:



These curves reflect the yields that underlie the SEDR calculations and are not the estimates of the standard discount rate assumption. Sample SEDR assumptions are set out in the table overleaf.

You will see that the bond yield at 31 January 2022 is higher at all terms than at 31 March 2021. As a result, the discount rate assumed for employers will be higher than that assumed at the previous accounting date.





All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

Sample SEDRs are set out in the table below based on market conditions at 31 January 2022 with the equivalent 31 March 2021 SEDRs also shown for comparison. It also sets out the estimated effect of the change in discount rate assumed based on the same sample durations:

Discount rate		Estimated impact of	
Duration (years)	31 January 2022	31 March 2021	change on liabilities
10	2.15%	1.80%	Decrease of 3%
15	2.20%	1.95%	Decrease of 4%
20	2.25%	2.00%	Decrease of 5%
25	2.25%	2.05%	Decrease of 5%

Assumptions are rounded to the nearest 0.05%.

The actual effect of the change in the discount rate assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

This approach is the same as the previous accounting date.



Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive our CPI assumption we first make an assumption on the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers.



Sample RPI assumptions are set out in the table below based on market conditions at 31 January 2022, with the equivalent 31 March 2021 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI		
Duration (years)	31 January 2022	31 March 2021	
10	3.80%	3.45%	
15	3.60%	3.35%	
20	3.40%	3.20%	
25	3.35%	3.15%	

Difference between RPI and CPI

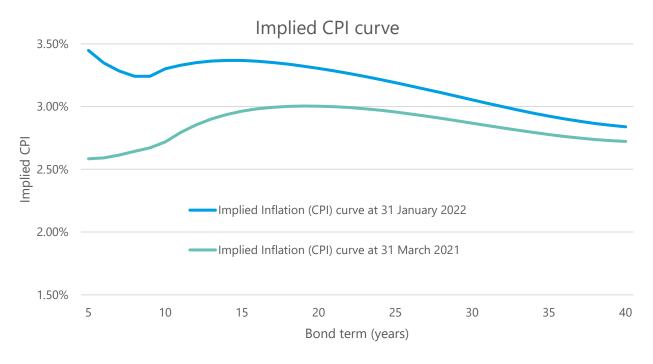
It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.90% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).



Consumer Prices Index (CPI) assumption

Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

The resulting implied CPI curve at 31 January 2022 is shown below along with the implied CPI curve at the last accounting date for comparison:



These curves reflect the yields that underlie the SEIR calculations and are not the estimates of the standard CPI inflation assumption. Sample SEIR assumptions are set out in the table overleaf.

As shown in the graph, the implied CPI curve at 31 January 2022 is higher at all terms. As a result, the assumed level of future pension increases will be higher than that assumed at the previous accounting date, particularly for employers with lower liability durations since this is where the greatest difference in the curves are.



All else being equal, a higher pension increase assumption will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position.



The tables below set out the assumed pension increase (CPI) assumptions at sample durations, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

	СРІ		Estimated impact of
Duration (years)	31 January 2022	31 March 2021	change on liabilities
10	3.25%	2.85%	Increase of 4%
15	3.15%	2.85%	Increase of 4%
20	3.05%	2.80%	Increase of 5%
25	3.05%	2.85%	Increase of 5%

Assumptions are rounded to the nearest 0.05%.

The actual effect of the change in the pension increase assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

This approach is the same as the previous accounting date.



Salary increases

Where an employer has requested a bespoke salary increase assumption last year, if still appropriate, we will continue the same salary increase assumption adopted at the last accounting date. For all other employers, we will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report.

ACTION: The employer must let the fund know if they want to adopt a different salary increase assumption. Please note that bespoke financial assumptions will incur additional fees.

Comparison to previous accounting date

This approach is the same as the previous accounting date.



Overall impact of changes to financial assumptions

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers with liability durations of exactly 10, 15, 20 and 25 years: based on assumptions derived as at 31 January 2022:

Duration (years) Estimated effect of change in financial assumptions on employer's liabilities		
10	No change	
15	Increase of 1%	
20	No change	
25	No change	

Based on market conditions at 31 January 2022, most employers will see the value of their defined benefit obligation remain broadly stable. However, the value of liabilities will increase with interest accumulated over the year.

ACTION: We are also happy to use bespoke financial assumptions. The employer must let the fund know if they want to adopt any different financial assumptions and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke financial assumptions will incur additional fees.



Additional requirements

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. Any experience items accounted for will be observed in the asset and/or defined benefit obligation reconciliation tables in the appendices in the individual employer's report.

Allowance for actual pension increases

Our standard approach is to include actual pension increase experience up to the accounting date. The impact will come through as an experience item.



The 2022 pension increase is higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact may differ depending on the employer's previous assumption and if an employer has not previously allowed for actual pension increases up to 2021.

ACTION: Please note that additional fees will be incurred to incorporate the actual pension increase experience and therefore the employer should opt out of this standard approach if they do not want these additional calculations to be carried out.

Accounting modeller

Employers have an option to purchase our accounting modeller to help inform their decision on the financial and demographic assumptions used to produce their IAS19 or FRS102 pensions accounting report. For example, the modeller allows employers to change the 31 March 2022 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2022 and also on the Profit and Loss projections for the year to 31 March 2023. We would be happy to provide further information on the modeller features and the associated fees if required.



Valuation of unfunded benefits

Employers may need to include the value of unfunded benefits for their accounts. For these employers, they have the option of adopting a roll forward approach or carrying out a full valuation of their unfunded benefits. If a full valuation approach is required, we will request member data from the Fund in order to value the unfunded liabilities. If a roll forward approach is required, then an estimate of the unfunded liability will be calculated using the estimated liabilities at the previous accounting date.

ACTION: Our default approach is to carry out a roll forward of the unfunded liabilities from the last accounting date. We would be happy to provide further information and the associated fees around the full valuation of unfunded benefits if required.



Demographic assumptions

Our standard approach is to use demographic assumptions in line with the latest actuarial valuation. For more information please see the latest valuation report. For the assumptions as at 31 March 2022, we propose adopting the CMI_2020 model, further details of which are set out below.

Mortality assumption

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgement involved and we naturally have to refine our view on this over time.

Base table mortality

The base table mortality assumptions adopted for the funds' latest triennial funding valuations were best estimate assumptions and we will, therefore, be using the same assumptions, as standard for accounting.

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

At the last accounting date, unless an employer opted out, we updated the demographic assumptions to use the CMI_2020 Model.

The CMI are due to publish their updated CMI_2021 Model in March 2022. We do not propose to update our standard approach to use the CMI 2021 Model as we do not expect this to have a significant impact on the value of the liabilities for those employers who adopted our standard approach last year.



ACTION: The majority of employers updated their disclosure last year to use the CMI_2020 Model. For these employers, our standard approach is to continue with this assumption this year.

For any employers who did not update to use the CMI_2020 Model, our standard approach will be to update the mortality assumption to use CMI_2020 with a 2020 weight parameter of 25%. Please let us know if you would like to opt out of this approach.

We are also happy to use bespoke demographic assumptions. The employer must let the fund know if they want to adopt a different mortality assumption and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke demographic assumptions will incur additional fees.

More information on the CMI_2020 model and our rationale for moving to this model is contained in Appendix 1.



Other considerations

McCloud/Sargeant judgements

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

If an allowance was already made for McCloud at a previous accounting date in an employer's IAS19/FRS102 report then no explicit adjustment will be made in our results this year.

Please see FAQs for further details.

ACTION: If no previous allowance has been made, then our standard approach will be to include an allowance this year based on the Government Actuary's Department's analysis (further details can be found in the <u>FAQs</u>) and the individual assumptions and membership profile of the employer. The effect on the employer's liabilities will be shown as a past service cost. Please let the fund know if you do not want an allowance to be made.

Impact on projected service cost

Where the cost of McCloud has been allowed for in an employer's report, this includes an allowance in the Current and Projected service cost in respect of the benefits members accrue each accounting period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, and therefore an adjustment is required to the Projected service cost from 1 April 2022 so that no further allowance for the McCloud remedy is made. This will then feed through to the Current service cost in employers' 31 March 2023 reports.

ACTION: If a previous allowance for McCloud has been made, then our standard approach will be to adjust the projected service cost from 1 April 2022 to ensure that no further allowance for the McCloud remedy is made. This work is required to ensure your figures correctly reflect the McCloud remedy and therefore we do not expect employers to opt out of this work.

Please contact the administering authority of the Fund to confirm the relevant fees.



Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Employers accounting under the FRS102 standard

We note that the FRS102 standard is silent on the treatment of settlements and curtailments, and in particular there is no explicit requirement to adopt a similar approach to that set out above for the IAS19 standard.

ACTION: Our default approach for IAS19 reports will be to assume that all events are material and therefore will adopt the approach set out in the IAS19 amendment. We will provide each administering authority with a summary of the events we are aware of and these will be communicated to each employer. If the employer does not want to treat all the events in this way then we would strongly recommend that they engage with their auditor in advance of the preparation of their report to understand their materiality limit and establish which events fall outside of this.

Unless instructed otherwise we will proceed with our default approach and please note that additional fees will apply, details of which can be provided by the administering authority.

Our default approach for FRS102 reports is to not remeasure the net defined benefit liability at the event date, and this is consistent with the approach at the last accounting date. We are happy to adopt an approach in line with that set out above for the IAS19 reports if requested by the employer, but please note that this will incur additional charges.

Please see FAQs for further details.



Impact of COVID-19

Employers may wish to consider whether it is appropriate to make an allowance for their actual member mortality experience over the accounting year. This would require a full valuation of updated membership data and would incur additional fees. We would encourage employers to discuss with their auditors whether they believe this approach is appropriate based on the employer's specific experience.

Our standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete.

Any impact on service cost due to the Coronavirus Job Retention Scheme will be reflected in the report based on the payroll information we are provided with. We request information relating to unreduced early retirements each year from the administering authority and any redundancies we are made aware of as part of this are included as a curtailment where applicable.

Unless specified in the employer's report, we are not aware of any other events relating to COVID-19 that are to be allowed for in the employer's accounting results. For example, there have been no changes to funding agreements or suspension of payment of individual member transfer values.

Consideration of the mortality assumption in light of COVID-19 is set out earlier in this note.

Goodwin case

We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case. Please see <u>FAQs</u> for further details.

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Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgement on past transfer values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgement. Please see <u>FAQs</u> for further details.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

Our standard assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome. Please see FAQs for further details.



Associated risks of participating in a defined benefit scheme

In general, participating in a defined benefit pension scheme means that an employer is exposed to a number of risks:

Risk	Comment
Investment risk.	The fund may hold investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
Inflation risk	All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
Longevity risk.	In the event that the members live longer than assumed a deficit will emerge in the fund. This may be mitigated by a longevity insurance contract if held by the fund. There are also other demographic risks.
Regulatory risk.	Regulatory uncertainties could result in benefit changes to past of future benefits which could result in additional costs.
Orphan risk	As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund.

All of the risks above may also benefit an employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

For further details on the funding strategy please see the relevant LGPS fund's latest Funding Strategy Statement.



Appendix 1 CMI_2020

Background

The COVID-19 pandemic has led to a sharp increase in reported deaths in the general population, with the number of deaths in 2020 being significantly higher than deaths reported in other years. There were around 73,000 more deaths in the UK from the start of the pandemic to 1 January 2021 than if mortality rates were similar to those experienced in 2019.

Our view is that the pensioner mortality experience will continue to be heavier over both the short and medium term as a result of the pandemic. The short term view is based on having already seen excess deaths continue since the start of 2021. In the medium term (2-10 years), mortality rates could be expected to be higher (than would otherwise have been the case) possibly due to future waves of coronavirus, but more significantly the effects of economic contraction and the long-term health implications of lockdowns are expected to produce heavier mortality.

CMI_2020 model

The CMI have made a material change to CMI_2020 (compared to previous versions) due to the impact of abnormal mortality data in 2020. This change introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The CMI have confirmed the core value of this parameter will be 0% (i.e. no allowance for 2020 mortality data). However, the CMI encourages users to consider the parameter in detail before adopting a certain value, and not to take the core values as the CMI's "recommendation".

Changing the 2020 weight parameter has a material impact on projected mortality improvements from 2020. Placing a higher weight on data for 2020 leads to materially lower future mortality improvements as you would expect. However the impact of the 2020 weight parameter on future mortality improvements "dissipates" over time, with the effect completely disappearing by 2040.

Our view is that the overall outlook for best-estimate future mortality improvements looks more negative than implied by the core CMI_2020, with the adverse consequences of the pandemic seeming to outweigh the positive ones.