Canadian men and women are living longer

By Editor Test *Wed, Aug 14, 2013*

Adoption of the new proposed mortality tables could immediately increase pension accounting liabilities by 5% to 10% for many Canadian defined benefit plans, according to Towers Watson.

The life expectancy of a 60-year-old Canadian male has increased by 2.9 years (to 27.3 years from 24.4 years) and the life expectancy of a 60-year-old Canadian female has increased by 2.7 years (to 29.4 years from 26.7 years) compared to pension mortality tables currently in use, according to a study by Towers Watson based on a draft set of updated mortality tables released by the Canadian Institute of Actuaries.

The CIA study found generally higher overall life expectancy for workers in the public sector compared to the private sector.

That's good news for retirees but not necessarily good news for Canadian pension funds, according to Towers Watson. Adoption of the proposed mortality tables could immediately increase pension accounting liabilities by 5% to 10% for many plans.

"Just as sponsors were beginning to see a reduction in their pension deficits due to improvements in the global equity markets and rising interest rates this year, the increase in life expectancy suggested by the CIA study could reverse much of this gain," said Gavin Benjamin, a senior retirement consultant at Towers Watson, in a release.

The implications of lengthening lifespan extend to sponsors of defined contribution plans as well as DB plans, the study said. It requires plan sponsors and participants to think about saving more. "In a DC plan, the employer provides a fixed contribution to a pension plan over the career of the employee. The plan member is required to manage the investments and the ultimate pot of money from which to draw retirement funds or to purchase an annuity for their lifetime," said the Towers Watson release.

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