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Public pensions aren’t falling behind in mortality expectations: CRR

By Editorial Staff *Fri, Apr 17, 2015*

A study by the Center for Retirement Research at Boston College shows that if public pension plans used the private sector mortality tables, they would have to increase their life expectancy estimate by only about six months.

The California Public Employees Retirement System—CalPERS—recently revised its funded ratio *downward* by 5% after adopting a mortality table that reflected longer expected lifespans for its members. Observers of public pensions wondered if other public pensions would soon face a similar jolt.

No, not necessarily, is the answer from the Center for Retirement Research (CRR) at Boston College. Analysts there ran some numbers to see what would happen to public plan liabilities if they 1) used the new mortality table that private sector plans use; and 2) fully incorporated expected future mortality improvements into their funded-ratio projections.

Their calculations, documented in a new CRR Issue Brief, showed that if public plans used the private sector mortality tables, they would have to increase their life expectancy estimate by only about six months, and reduce their funded ratios by about one percent, to 72%.

If they fully incorporated future mortality improvements into their projections, it “would increase life expectancy by 2.3 years and reduce the funded ratio of public plans from 73% to 67%,” the brief said. The impacts would be much larger for small public plans than for large ones.

Not even private sector plans feel the need to use future mortality improvements in calculating their funded ratios, the CRR analysts wrote. They concluded that public sector plans “seem to be making a serious effort to keep their life expectancy assumptions up to date. The big increase in 2013 of CalPERS’ liability and decline in funding was reflective of an effort to better incorporate future mortality improvements when estimating mortality, not a sign of a serious problem.”