

Postcode mortality analysis

Refining your assumption

What is postcode mortality modelling?

The use of postcode-based mortality modelling has become increasingly common in the UK; from pricing individual annuities to bulk annuity purchases.

Why do it?

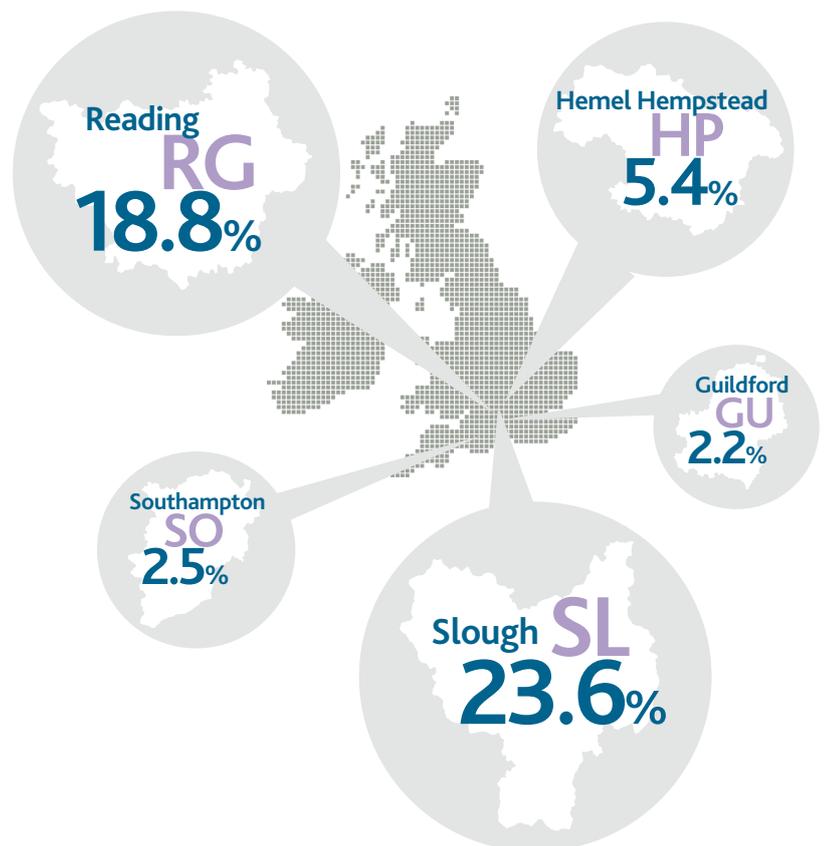
The Code of Practice 03 issued by the Pensions Regulator states: "Assumptions should be evidence-based... it is important to relate more general data, such as occupational or geographic groupings, to the situation of the particular scheme. This will be especially relevant to the choice of demographic assumptions..."

The Pensions Regulator expects trustees to have regard to scheme specific circumstances in the calculation of their Technical Provisions, and this would include the potential impact of variations in mortality experience from that represented by your chosen mortality table.

The postcode analysis allows trustees to fulfil these objectives in a measured, quantifiable way. We now have statistically robust models that link postcode to life expectancy.

We use each member's postcode to determine if they are above or below the UK average life expectancy, and by how much. We are able to do this on an individual basis, an aggregate Scheme basis, and by class of member, e.g. executives, staff, or manual workers.

Where do your members live?



Allows scheme's liabilities to better reflect the unique characteristics of their membership



Benefits for you

To determine an appropriate basis for the valuation of liabilities, trustees make certain assumptions around their membership and their lifestyle. As there is an element of uncertainty, assumptions can be purposely overly conservative. Using the analysis, it allows a scheme to better understand the mortality of its membership, and reduce any additional margin for prudence in relation to this risk. This has the following benefits:

For the scheme sponsor

- Allows scheme's liabilities to better reflect the unique characteristics of their membership; and as such reduces the prudence needed in the mortality assumption; and hence the contribution required.
- Avoids a step change in liabilities when a new set of mortality tables are released.
- Insurers use their own postcode analysis when determining annuity rates, therefore our analysis can be used as part of a buyout or self-sufficiency strategy.

For the Trustees

- Helps trustees to determine an appropriate mortality assumption in a quantifiable way that is consistent with the unique characteristics of a scheme.
- Can also be used in determining a Transfer Value basis, scheme factors, and can be used for other exercises.
- Reduces the overall level of risk in the scheme.
- Provides reassurance that the assumption is not underestimating the liabilities.

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