



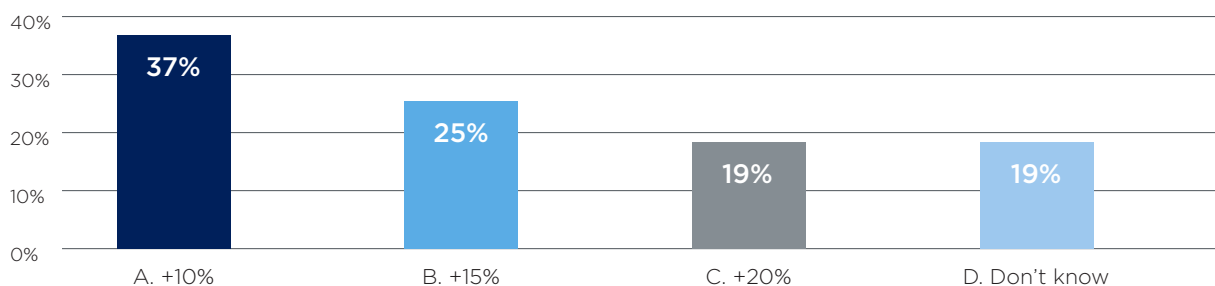
The SPP member research series:

Impact of Covid-19 on Pension Scheme Mortality

In June, the Society held an online event examining mortality expectations following the pandemic. Our speakers were Matt Fletcher, Senior Longevity Consultant at Aon and Dan Ryan, Chief Science Officer at COIOS. During the event the 360 attendees were asked three questions about their expectations for future mortality. This note summarises their responses, with Matt and Dan's reflections.

The responses reflect the considerable amount of uncertainty at this point. That said, the audience was broadly optimistic, expecting a limited number of additional deaths over the second half of 2020 – suggesting a limited second wave or none at all. In addition, attendees did not expect the pandemic to result in changes to future mortality improvements.

Fig. 1 How much higher do you expect the 2020 mortality rate to be when compared to 2019?



The majority of attendees expected an increase of 10 – 15%, with 37% answering +10% and 25% answering +15%. 19% of attendees expected a higher increase of +20%, with a further 19% unsure.

Matt Fletcher comments: “The average increase in mortality in 2020 suggested by the poll was 10-15%, although some attendees gave a higher figure. There have been around 60,000 excess deaths in the UK in the first half of 2020 – this is based on deaths from all causes, not just those where Covid-19 was mentioned on the death certificate. If we compare this to a typical year, where we see around 600,000 deaths across the population, it is

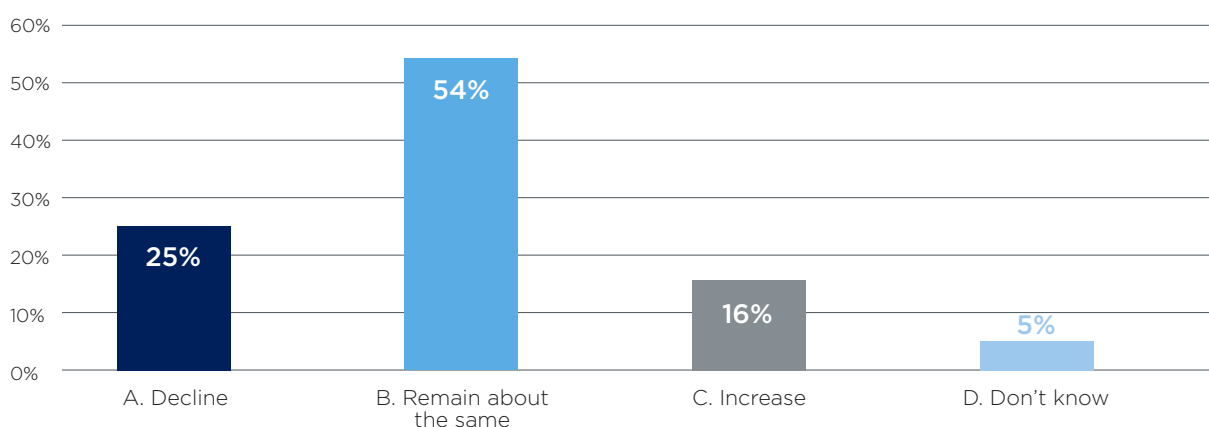
clear that to reach a 10% increase in mortality over the whole year, we would need to see no excess deaths in the second half of 2020.

The data clearly shows that we are over the first wave of infections and deaths – the key will be whether or not we see a second wave as we come out of lockdown and, in particular, when we move into the winter months. If we are able to avoid a material second wave of infection, then a 10% increase in mortality over 2020 is possible – if we do experience a large second wave then the figure could be much higher.”

Dan Ryan's view is that "the level of uncertainty about the future, given our still limited knowledge about Covid-19 is very clearly reflected in the answers to the questions. That said, there are perhaps a few elements to tease out. As we have already seen 65,000 extra deaths and relatively low levels of positive results for Covid-19 in the population, it is likely that we will see further significant increases in the level of excess deaths as we move into autumn and winter. On the positive side, we have learnt much on how to stop the

spread of the virus, particularly important in care homes – and continued use/observance of social distancing and face masks where appropriate and targeted interventions should reduce both hospitalisations and deaths in any subsequent wave. On the negative side, waiting lists are rapidly growing and the NHS will be significantly under capacity for 2020 and possibly 2021. The second wave should be less than the first wave, as long as the NHS is not overwhelmed by a harsher flu season."

Fig. 2 Taking all the impacts of the Covid-19 pandemic into account do you expect future mortality improvements to:

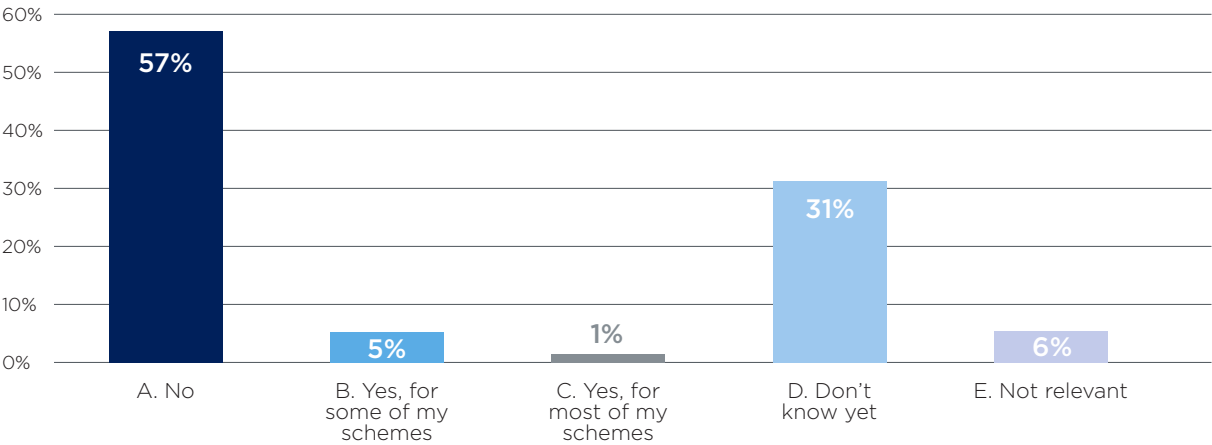


Audience members were asked whether they would expect future mortality improvements to change taking all impacts of the pandemic into account, including Covid-19 itself, greater focus on hygiene, economic impact etc. Over half of attendees (54%) expected future mortality improvements to remain unchanged. Of those expecting a change, somewhat more expected a decline (25%) than an increase (16%) with 5% unsure.

Matt Fletcher notes: "There are clear areas where Covid-19 could have a positive impact and equally clear areas where the impact is likely to be negative – and it is not at all clear at this stage which side of the balance will dominate over the longer term. The views set out in the polls reflect this uncertainty, with many thinking improvements are likely to be broadly unchanged, a significant minority on either side of the positive / negative divide, and a lot of "don't know yet" on the question of setting improvements."

Dan Ryan thought: "Looking further into the future, the question is whether Covid-19 will have a lasting impact on the population, particularly those that survived severe symptoms. For those that required hospitalisation, there is evidence of lasting damage with lung fibrosis and impaired kidney function. The NHS is predicting that up to 100,000 of confirmed cases (about a third) could be affected, although this would appear conservative. The impact on the wider population is much less certain, and there may be benefits for some because of better hygiene and new positive behaviours that have been cemented over lockdown – but the long-term effects of missed/interrupted treatments are likely to dominate and exert a downward force on future mortality improvements."

Fig. 3 Are you currently planning to change the future mortality improvement assumption for the pension schemes you advise due to current circumstances?



Reflecting the answer to questions 2, 57% of attendees did not expect to make changes to future mortality improvements with a handful of respondents expecting to make a change (5% answering yes, for some schemes, and 1% answering yes, for most of my schemes). Given the considerable uncertainty, 31% didn't yet know what changes they might make.

James Riley, Partner at Isio, SPP President and meeting chair reflects: "Those attendees who were confident enough to offer a view, have been relatively positive about the future impact

of the pandemic. There is limited expectation of significant further Covid-19 related deaths this year. And a large majority expect future mortality improvements to be unaffected, with this being carried through to unchanged assumptions in pension scheme valuations. That said there is significant uncertainty, and this is reflected in the number of attendees who answered 'don't know' to a given question. Perhaps surprisingly, attendees seemed most confident in the impact on future improvements, arguably the most uncertain element."

Our thanks to the speakers. Please follow these links for the [video](#) of the event and for the [slides](#).

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