

The Employers Pensions Forum,  
Woburn House,  
20 Tavistock Square,  
London  
WC1H 9HU

Dear Madam or Sir

The Employers Pensions Forum (EPF) has produced a Copyright questions and answers sheet about the proposed changes to USS.

I attach a figure which plots the life expectancy given in Q9 of this sheet against the life expectancy provided by the Office for National Statistics (ONS). EPF states that in 1974, 'our' life expectancy was half (49%) that of the general public, but in 2014 it is 1.4 to 1.6 times greater! ONS has an increase of 1.3 to 2.3 years for each decade; USS has an increase of 5.8 years for each decade.

If you wish to check these, please see <http://www.ons.gov.uk/ons/rel/lifetables/historic-and-projected-data-from-the-period-and-cohort-life-tables/2012-based/stb-2012-based.html>

I find it difficult to believe that my late friend Geoffrey Heywood, first Chairman of the International Association of Consulting Actuaries, would have allowed such a gross under-estimation of life expectancy for 1974 when USS was set up. He was very proud of his involvement with USS, having written the report commission by the Joint Consultative Committee which included a proposed outline for USS.

I find it difficult to believe that the actuaries have only recently considered the impact of changes in life expectancy (as well as variable interest rates) because I remember discussing this with my father, James M. Hutton (Jimmy Hutton), who was Chairman of the International Association of Consulting Actuaries in 1986, before he retired, i.e before 1988.

I wish to know how the figures for life expectancy were reached. I shall, of course, request the relevant information directly from the USS actuary, Ali Tayyebi, of Mercer.

With regard to the statement in Q8 that the proportion of active members is reducing, the phrase '*also* nearly 100,000 deferred members' implies that obscures the fact that the percentages you give includes these members. In fact, the proportion of pensioners increased from 17.3% in 2010 to 18.4% in 2013, and decreased to 18.3% in 2014. The proportion of deferred members has increased from 31.1% in 2010 to 33.0%.

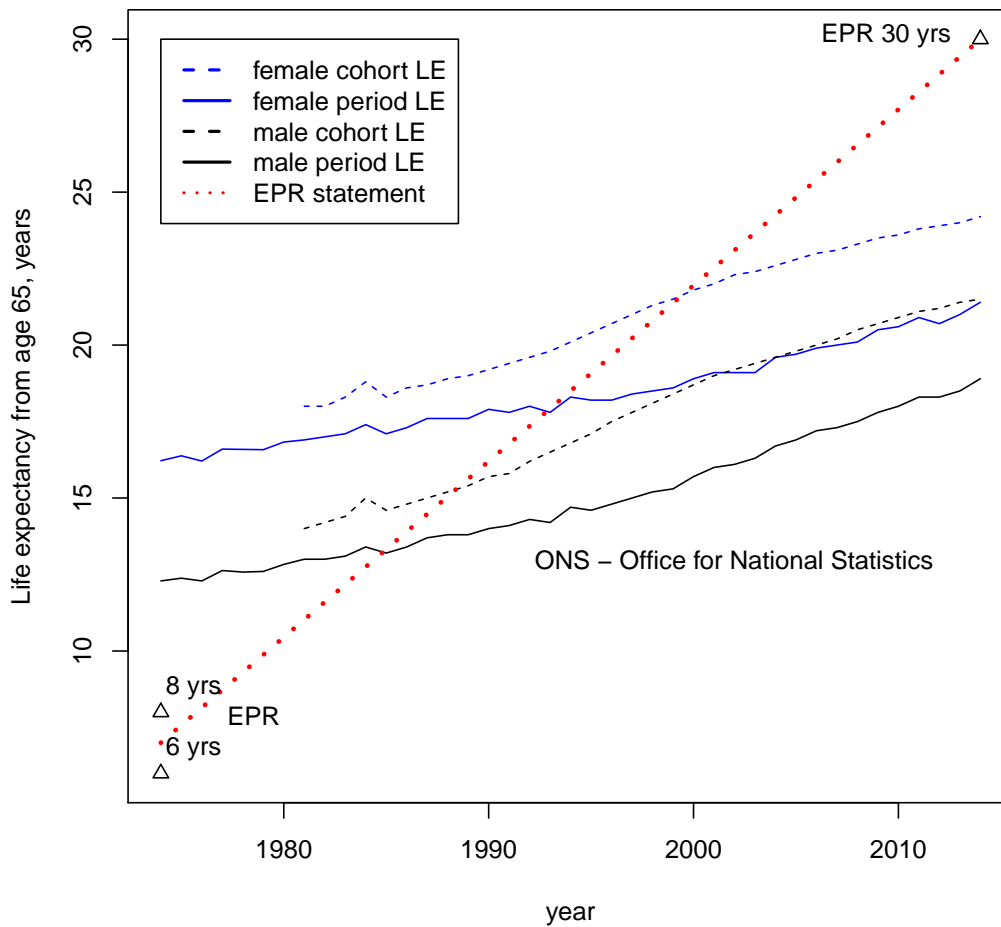
What are the predicted proportions for the next thirty years? Of the deferred members, what is the distribution of accrued service, in terms of eightieths?

This question and answer sheet leads me to question the reliability of the Employers Pensions Forum.

Yours sincerely

Professor J L Hutton  
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Cc. Miss L Murrain, Pensions Manager, The University of Warwick

### Life expectancy from age 65 years, ONS data vs EPR



Notes: 1. period or current life expectancy is life expectancy using current observed death rates. 2. cohort or projected life expectancy is life expectancy assuming that death rates will decrease in future, with the predicted decrease based on observed decreases in the past. 3. I have used the overall UK figures. The life expectancy is a little higher for the higher social classes, but if USS says that pensioners in 1974 had much shorter life expectancy in 1974, they cannot claim that they have used higher social classes. 4. The seventh edition Ogden Tables give life expectancy at age 65 of 21.42 for men and 23.98 for women; these are used in legal cases.

Quotation from USS Q&A: Q9. What are the issues with longevity and will they really impact on USS? Yes, longevity issues do impact on USS. Current longevity patterns are significantly different to those when the scheme was set up in 1974. Then it was expected that a USS pensioner retiring at age 65 would live for 6 to 8 years in retirement so the cost of the scheme and the contribution rates were set on this basis. By 2014 the anticipated length of retirement is around 30 years, so USS pensions will need to be paid for a significantly longer period than they have in the past and this has increased the cost. Increasing longevity was a factor that impacted on the last valuation of USS in 2011 and this trend has continued such that in the 2014 valuation the scheme actuary is advising a further increase in the longevity assumption to reflect continuing improvements in life expectancy.