



# **Professional Standards Committee Highlights**

## **THE LONG-TERM IMPACT OF COVID-19 ON ACTUARIAL ASSUMPTIONS**



According to a new study published in the British Medical Journal, the life expectancy in the U.S. decreased by nearly two years between 2018 and 2020, which was largely due to the COVID-19 pandemic. Therefore, you might ask what impact, if any, does this have on the mortality assumptions used in public sector pension and other post-employment benefit actuarial valuations?

The Society of Actuaries utilizes data from large public retirement systems (including CalPERS and CalSTRS) to establish standard mortality tables used in actuarial valuations. Both CalPERS and CalSTRS, because they are so large, use their own data to set mortality rates. The development of standard mortality tables involves gathering years of historical data and smoothing it into statistically viable mortality rates. While a short-term decrease in life expectancy due to COVID-19 has been indicated, any long-term impact on (particularly public sector) mortality is currently unknown.

The following areas of concern are currently being reviewed to assess COVID-19's long-term impact on actuarial assumptions:

- Mortality by age groups, gender, geography, lifestyle and access to healthcare.
- The relationship between COVID-19 and other leading causes of death.
- Increases (and decreases) in healthcare costs (COVID and non-COVID related).
- The economic impact.

COVID-19's long-term impact on actuarial valuations will depend on the correlation among these areas of concern. For example, a potential decrease in mortality may be offset by an increase in associated healthcare costs.

You can also find Committee Highlights on other topics at

<https://www.csmfo.org/professional-standards-committee-highlights/>.

If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at [standards.chair@csmfo.org](mailto:standards.chair@csmfo.org).

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*The Professional Standards Committee operates as a technical resource to CSMFO members. The Committee is comprised of municipal and commercial members whose mission is to keep members informed of emerging issues and best practices.*

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