



CMF and Superintendence of Pensions publish for consultation new mortality tables to calculate programmed withdrawal and life annuity pensions

- *Mortality tables are used to calculate amounts paid to pensioners and their beneficiaries who have opted for programmed withdrawals; determine the technical reserves that life insurance companies must constitute to back life annuities of policyholders and their beneficiaries; and calculate additional contributions that insurers must make for disability and survival pensions.*
- *New mortality tables will become effective as of July 1, 2023 and do not affect people who are already pensioned, nor on the process and delivery of the Universal Guaranteed Pension.*
- *Updating mortality tables allows to adequately reflect changes in life expectancy of the population and ensure that both programmed withdrawal and life annuity pensioners receive their respective payments in accordance with their commitments throughout their life cycle.*
- *The Organization for Economic Cooperation and Development has advised on the process of updating mortality tables to consider the best international practices and apply new methodologies in this area.*

September 6, 2022 — The Financial Market Commission (CMF) and the Superintendence of Pensions (SP) have published for consultation a joint regulation with the mortality tables to be enforced between 2023 and 2029, in accordance with the provisions of Decree Law No. 3,500 of 1980 and Decree with Force of Law No. 251 of 1931.

Mortality tables are used to calculate amounts paid to pensioners and their beneficiaries who have opted for programmed withdrawals; determine the technical reserves that life insurance companies must constitute to back life annuities of policyholders and their beneficiaries; and calculate additional contributions that insurers must make for disability and survival pensions. Updating these tables allows to adequately reflect changes in life expectancy of the population and ensure that both programmed withdrawal and life annuity pensioners receive their respective payments in accordance with their

commitments throughout their life cycle. The new mortality tables will become effective as of July 1, 2023 and do not affect people who are already pensioned, nor on the process and delivery of the Universal Guaranteed Pension.

Table Update Proposal

Since 2014, the process of updating the mortality tables considers the collaboration of the Organization for Economic Cooperation and Development to incorporate the best international practices and apply new methodologies in this area.

The new mortality tables under consultation estimate a life expectancy in 2022 of 86.5 years for a 65-year-old male pensioner and 90.7 years for a 60-year-old female pensioner. Compared to the tables in effect since 2016, the update means an increase of about six months in life expectancy for men and a decrease of about five months for women. This new calculated life expectancy, which for men means receiving a pension for a longer period, means the first programmed withdrawal payment for men aged 65 will be 1.7 percent lower than what they would have received if their higher life expectancy had not been acknowledged. Women aged 60, on the other hand, would receive a payment 0.7 percent higher than the one calculated by previous standards. Technical reserves for life annuity pensions would grow 0.14 percent under the new mortality tables.

The table update proposal for the period between 2023 and 2029 considers maintaining the maximum pensioner age at 110 years and admits the possibility of reaching said age is minimal. A man aged 65 in 2020 has a 0.019-percent probability (that is, 1.9 out of 10,000 men) of living to age 110. For a woman aged 60 in 2020 the probability is a mere 0.214 percent. Variations for both genders show no significant change compared to current mortality tables.

Mortality tables have two main components:

- Estimated mortality rate based on observed experience in the most recent period of the pensioner population.
- Improvement factors that adjust these rates as mortality decreases because of medical advances and improvements in quality of life.

On improvement factors, this update considers a methodological change stating that mortality improvement rates in the long term will not maintain the levels observed in recent years and, instead, will trend downward in the future. As a result, adjustments to mortality rates had a lower impact on the estimation of life expectancy. For women, this means a decrease in life expectancy and, therefore, a slight increase in the estimate amount of their first programmed withdrawal payment.

Impact of Covid-19

The current mortality tables are in force since June 2016. Various international regulators update them regularly within limited timeframes ranging from five to ten

years. Since they must adequately reflect the life expectancy of people in the pension system, a review of the methodological assumptions and parameters used in this calculation is carried out.

In the last two years, the Covid-19 pandemic had a significant impact on mortality rates, evidenced by an increase in the number of deaths due to the virus. While such impacts on mortality persist, it is reasonable to expect they will have a significant effect on short-term mortality only, and that most of said impacts will be temporary.

According to the joint analysis of the CMF and the SP alongside the OECD, life expectancy is projected to return to pre-pandemic levels in the coming years, so higher mortality rates recorded in 2020 and 2021 should not be considered for the construction of the new tables.

Interested parties can access the Draft Rules and Norms section of the [CMF](#) and [SP](#) websites until November 7, 2022 to check the proposed mortality tables in detail and submit their feedback. Both the CMF and [SP](#) also make available the databases used to compile the tables.

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