CONDUCT OF BUSINESS SOURCEBOOK (MORTALITY ASSUMPTIONS FOR FUTURE ANNUITY PROJECTIONS) INSTRUMENT 2012

Powers exercised

A.   The Financial Services Authority makes this instrument in the exercise of:

   (1)   the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):

      (a)   section 138 (General rule-making power);
      (b)   section 149 (Evidential provisions); and
      (c)   section 156 (General supplementary powers); and

   (2)   the other powers and related provisions listed in Schedule 4 (Powers exercised) to the General Provisions of the Handbook.

B.   The rule-making powers referred to above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

C.   This instrument comes into force on 21 December 2012.

Amendments to the Handbook

D.   The Conduct of Business sourcebook (COBS) is amended in accordance with the Annex to this instrument.

Citation

E.   This instrument may be cited as the Conduct of Business Sourcebook (Mortality Assumptions for Future Annuity Projections) Instrument 2012.

By order of the Board
26 July 2012

Annex

Amendments to the Conduct of Business sourcebook (COBS)

In this Annex, underlining indicates new text and striking through indicates deleted text.

13 Annex 2   Projections

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3	How to calculate a projection for a future annuity
3.1	A *projection* for a future annuity must:

	(1)	be calculated by rounding all factors to three decimal places before applying them to the relevant retirement fund;
	(2)	~~be based on the mortality tables PMA92 and PFA92, using the medium cohort projection based on year of birth mortality rates~~ <u>use a mortality rate based on the year of birth rate derived from each of the Institute and Faculty of Actuaries' Continuous Mortality Investigation tables PCMA00 and PCFA00 and including mortality improvements derived from each of the male and female annual mortality projection models, in equal parts;</u>
	(3)	[deleted]
	(4)	(for an annuity where two lives are concerned):

		(a)	reflect the age difference between the two lives; or
		(b)	be based on the assumption that the male life is three years older than the female (if the genders differ) or the two lives have the same age (if the genders are the same);

	(5)	include an expenses allowance of 4%;
	(6)	be based on the following rates of return as appropriate:

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<u>E</u>	
<u>3.1A</u>	<u>For any year commencing 6 April, the use of the male and female annual CMI Mortality Projections Models in the series CMI(20YY-1)_M_[1.25%] and CMI(20YY-1)_F_[1.25%], where YY-1 is the year of the Model used, will tend to show compliance with *COBS* 13 Annex 2 3.1R(2).</u>

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3.2	…