March 29, 2017

Internal Revenue Service
CC:PA:LPD:PR (REG112324-15), Room 5203,
PO Box 7604, Ben Franklin Station,
Washington, DC 20044

Re: Pension Mortality Table Update

To Whom It May Concern:

The undersigned organizations represent employers of all sizes throughout the United States and across all industries that sponsor defined benefit (DB) pension plans. We appreciate the opportunity to comment in response to the Internal Revenue Service (IRS) proposed rule on Mortality Tables for Determining Present Value Under Defined Benefit Pension Plans. The undersigned organizations appreciate that the IRS makes an effort to provide for some flexibility when adopting updated tables to be used by these DB plans. However, we want to reiterate how important it is for the IRS to be very flexible in allowing for the use of substitute mortality tables for pension funding purposes and additional time for plan sponsors to adapt and plan for these changes in its final rule.

Many employers still provide DB pension plans to their employees, but this benefit is not without cost. In October 2014, the Society of Actuaries (SOA) released an update of their pension plan mortality tables -- the RP-2014 base mortality tables and MP-2014 improvement scale -- intended to reflect the latest longevity data that people are living longer. As a result of the new table, the SOA estimated there could be a four to eight percent increase in private pension plan liability, which translates to hundreds of millions of dollars in increased costs for many plan sponsors. While the IRS is using the SOA's most updated scale, MP-2016 to reflect a somewhat smaller improvement in longevity, employers may still expect a significant increase in plan liabilities as a result of the updated tables. Requiring essentially immediate adoption of a new table resulting in such large increases in cost represents a significant burden on plan sponsors. The significant additional cost of drawing more capital into the pension plan in the form of higher contributions rather than being available to invest this capital into their businesses is extremely detrimental, not only for the company but also for economic growth.

Since the change affects lump sum values, this change in tables will also affect pension administration systems resulting in additional plan administrative burdens in 2017 and may result in transition issues for lump sums paid in 2018. Plans providing lump sums based on statutory mortality may have a significant change in the amount of available lump sum for participants commencing in the first month of the 2018 plan year.

For these reasons, the undersigned organizations appreciate that the IRS proposal allows the expanded use of substitute mortality tables for pension funding purposes, rather than requiring the adoption of the SOA tables. Consistent with Congressional intent in the Bipartisan Budget Act of 2015[1], the use of substitute tables would better allow for plan sponsors to consider their unique populations and actual plan experience when developing longevity

[1]Bipartisan Budget Act of 2015. PUBLIC LAW 114–74, Sec. 503, https://www.congress.gov/114/plaws/publ74/PLAW-114publ74.pdf NOV. 2, 2015.

assumptions. In particular, the use of substitute tables will provide manufacturers and other plan sponsors with greater flexibility, while also providing a more accurate actuarial reflection of their pension plan population and aligning funding requirements more closely with US GAAP accounting. Use of a plan-specific mortality table would more closely align the IRS methods for determining plan funding requirements to the methods that are used by companies in their audited financial statements.

Some companies have also suggested that the IRS should consider allowing industry-based mortality tables or similar pooled mortality experience if a plan does not have enough participants to achieve full or partially credible experience to be able to construct a plan-specific mortality table. For example, grouping by broad existing classification codes, such as mining, metals, heavy manufacturing, etc., would also align with methods plan sponsors use for industry-based mortality tables that have been acceptable to enrolled actuaries and independent registered public accounting firms for audited financial statements. This approach represents one way to allow plans that do not have credible populations to use a table that is closer to their own experience.

Given the request to allow more flexibility in the implementation of the updated mortality tables, the undersigned organizations also requests that the IRS delay implementation beyond the 2018 calendar year to allow for further study and additional time for plan sponsors to plan for the additional funding obligations. In addition, consideration should be given to relaxing the 180 day request deadline for requesting approval of substitute mortality tables. Otherwise, plans with years beginning on January 1, 2018 may not have time to submit the required information for a substitute mortality table. Alternatively, plans could be allowed a one year transition period if they indicate the intent to submit a substitute table, and in this case a pension plan should be allowed to continue to use the same mortality table method in 2018 as it used in 2017.

The IRS also should consider a multiple year phase-in option for funding and administrative requirements, rather than having such a significant impact in a single year. This is very important to plan sponsors who may need to otherwise contribute large sums of money to a plan to reach a certain funded percentage, such as an 80 percent level, to avoid benefit payment restrictions. Other IRS method changes allow multiple years to completely settle the cash impacts of a change, and mortality changes should be treated similarly.

Thank you in advance for considering our request for a more flexible approach to the implementation of the updated mortality tables as well as additional time for plan sponsors to adapt and plan for these changes.

Sincerely,

National Association of Manufacturers
U.S. Chamber of Commerce