

## **Comments on Mortality Tables to be Used under IRC §430(h)(3)(A) and IRC §417(e)(3)**

**October 21, 2013**

**Department of Treasury  
Internal Revenue Service**

**Notice 2013-49**

The American Society of Pension Professionals & Actuaries (ASPPA) and the ASPPA College of Pension Actuaries (ACOPA) are writing in response to the request for comments included in Notice 2013-49 as issued by the Internal Revenue Service (“IRS”) and Department of Treasury (“Treasury”) on July 11, 2013.

ASPPA is a national organization of more than 16,000 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines, including consultants, investment professionals, administrators, actuaries, accountants and attorneys. Our large and broad-based membership gives ASPPA unique insight into current practical applications of ERISA and qualified retirement plans, with a particular focus on the issues faced by small- to medium-sized employers. ASPPA’s membership is diverse but united by a common dedication to the employer-sponsored retirement plan system. All credentialed actuarial members of ASPPA are members of the ASPPA College of Pension Actuaries (ACOPA), which has primary responsibility for the content of comment letters that involve actuarial issues.

ACOPA is responding to the questions posed regarding the continuing publication of static mortality tables, specifically:

- Whether actuarial software generally available for use with small pension plans is capable of using separate mortality tables for annuitants and non-annuitants, or whether it is necessary for the IRS and Treasury to continue publishing combined static mortality tables.
- Whether generally available actuarial software is capable of using mortality tables on a fully generational basis, or whether it is necessary for the IRS and Treasury to continue publishing static mortality tables (taking into account the limitations of duration-based static approximations identified in the Society of Actuaries’ September 2012 report);
- Whether it is expected that generally available actuarial software will be capable of using a two-dimensional mortality projection scale as described in the Society of Actuaries’ September 2012 report (that is, with projected mortality improvement that is a function of both age and year of birth).

*ACOPA recommends* that IRS continue to publish combined static mortality tables.

- With regard to annuitant versus non-annuitant tables, most actuaries have the capacity to use separate mortality tables for annuitants and non-annuitants. However, the small plans have a high incidence of lump sums necessitating the use of §417(e) mortality rates. In fact, the most beneficial approach would not be to require separate tables depending on pay status, but to permit the use of §417(e) rates throughout the valuation.
- Software that is commonly used by actuaries working on small plans does not allow for the use of mortality tables on a fully generational basis. If necessary, software providers would assuredly modify programs to handle fully generational mortality, or a two-dimensional mortality improvement scale, but the re-programming required would be substantial, and it is difficult to see how the benefit would justify the cost in the smaller plan environment.

In summary, although the more refined approach to mortality assumptions may be appropriate for large plans, there will be little or no benefit from such refinement for small plans. In fact, static tables work well in the small plan environment and ACOPA respectfully suggests that moving away from static tables for small plans would be form over substance at substantial cost.



These comments were prepared by ASPPA’s Defined Benefit Subcommittee of the Government Affairs Committee and the ASPPA College of Pension Actuaries. Please contact Judy A. Miller, MSPA, Executive Director of ACOPA, at (703) 516-9300 if you have any comments or questions on the matters discussed above.

Thank you for your time and consideration.

Sincerely,

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