



AMERICAN ACADEMY *of* ACTUARIES

Objective. Independent. Effective.™

June 10, 2016

J. Mark Iwry
Senior Advisor to the Secretary
Deputy Assistant Secretary for
Retirement & Health Policy
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Victoria Judson
Associate Chief Counsel
Tax Exempt and Government Entities
Internal Revenue Service
1111 Constitution Avenue NW
4306 IR
Washington, DC 20224

Robert Choi
Director, Employee Plans
Internal Revenue Service
1111 Constitution Avenue NW
NCA 614
Washington, DC 20224

Re: Timing for Release of 2017 Applicable Mortality Tables under §§430(h)(3) and 417(e)

Dear Mr. Iwry, Ms. Judson, and Mr. Choi:

The Pension Committee of the American Academy of Actuaries¹ respectfully asks for your consideration of our comments regarding the timing for release of the mortality tables under §§430(h)(3) and 417(e) of the Internal Revenue Code for 2017.

Specifically, we request that the 2017 tables be issued as soon as possible, because we are concerned that plan sponsors, plan administrators, and plan participants will not have sufficient time to consider the consequences of changes if finalized later than July 31, 2016. The committee expressed similar concerns regarding the timing of release of the mortality tables for the 2016 plan year.²

¹ The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

² http://www.actuary.org/files/IRS_Mortality_Table_Timing_Comment_Letter_071715.pdf

We understand that the IRS and Treasury continue to evaluate options for updating the mandated tables under Code §§430(h)(3) and 417(e) and that this process involves the issuance of proposed regulations for comment prior to their finalization whenever there is a proposed change in the underlying basis upon which mortality rates are set. Given the significance of these changes to the statutory mortality tables and the resulting public policy implications, we believe it is imperative to allow sufficient time for review by the actuarial and plan sponsor community, and for evaluation of submitted comments and testimony by IRS and Treasury prior to issuing final regulations.

Plan administrative procedures often require that the applicable interest and mortality rates be known several months in advance of the plan year. Sponsors and administrators of calendar-year plans that use the maximum permissible lookback period for interest rates will know the applicable interest rates in effect for the 2017 plan year as early as mid-September, and will need to begin providing 2017 retirement packages to eligible participants at that time, to allow for thoughtful consideration of the available options.³ Therefore, it is critically important that the mortality tables for 2017 be available so that they can be incorporated into plan administration systems and valuation software by the time the August 2016 segment rate notice is published.

As noted in our Feb. 5, 2015, letter regarding the selection of a replacement for the current mortality table basis, a certain amount of lead time is necessary following release of new mortality tables to update plan administration systems and valuation software.⁴ All interested parties (plan sponsors, administrators, and participants) will be harmed without prior notice.

We believe that any change needs to be announced as soon as possible. Plan administrators will need time to update and test the new tables. They may also face decisions about updating assumptions to use for relative value disclosures for non-§417(e) payment forms and other purposes, which may require further changes to plan administration software that must be programmed and tested before implementation. This process may take several months to complete. Without enough lead time, many plans will find it a significant challenge to implement the new tables in time and may experience compliance failures if they are unable to do so.

We also understand that, concurrent to the review of the mandated tables under Code §§430(h)(3) and 417(e), consideration is being given to implementation of the mortality credibility provisions of Section 503 of the Bipartisan Budget Act of 2015, which by statute must be made available to plan sponsors for the 2016 plan year. Grace-period contributions for 2015 calendar-year plans can only be paid through Sept. 15, 2016. It is critical that plan sponsors know as soon as possible the options that will be available for 2016 so they can make informed decisions about funding to certain key metrics (e.g., maintaining an Adjusted Funding Target Attainment Percentage in excess of 80 percent to avoid benefit restrictions).

We appreciate the IRS and Treasury giving consideration to these comments and welcome the opportunity to discuss them in further detail, in particular the challenges relating to implementation,

³ We note that many plans have adopted the expanded 180-day election period permitted by the Pension Protection Act of 2006, and have established an administrative precedent of providing election packages to eligible participants early in the election window.

⁴ http://www.actuary.org/files/IRS_Funding_and_417_Mortality_Comment_Letter_02052015.pdf

at your convenience. Please contact Matthew Mulling, the Academy's pension policy analyst, at 202-223-8196 or mulling@actuary.org if you have any questions or would like to discuss these items further.

Respectfully submitted,

Ellen L. Kleinstuber, MAAA, FSA, FCA, FSPA, EA
Chairperson, Pension Committee
American Academy of Actuaries

Cc: Joyce Kahn
Kyle Brown
Harlan Weller
David Ziegler