AMERICAN ACADEMY *of* ACTUARIES

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Joyce Kahn
Technical Guidance and Quality Assurance Manager, Employee Plans
Internal Revenue Service
United States Department of the Treasury
1111 Constitution Avenue NW
Room NCA-621
Washington, DC 20224-0002

Harlan Weller
Government Actuary
United States Department of the Treasury
Suite 4028
1500 Pennsylvania Avenue NW
Washington, DC 20220

Kyle Brown
Special Counsel, Office of Chief Counsel
Tax Exempt and Government Entities
Internal Revenue Service
United States Department of the Treasury
1111 Constitution Avenue NW
Washington, DC 20224-0002

Carol Zimmerman
Member, Joint Board for the Enrollment of Actuaries
Internal Revenue Service
United States Department of the Treasury
1111 Constitution Avenue NW, Floor 4
Washington, DC 20224-0002

Re: Timing for Release of 2016 Applicable Mortality Tables under §§430(h)(3) and 417(e)

Dear Ms. Kahn, Mr. Brown, Mr. Weller, and Ms. Zimmerman:

The American Academy of Actuaries[1] Pension Committee (Committee) 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 (Code) for 2016. Specifically, we request that the 2016 tables be issued as soon as possible and are concerned that plan sponsors will not have sufficient time to implement any potential change to generational tables for 2016.

We understand that the IRS and Treasury are evaluating options for updating the mandated tables under Code §§430(h)(3) and 417(e). Generally, we believe 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. Many plan sponsors and plan administrators have expressed concerns to the Committee members regarding their ability to plan for and

[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. The Academy assists 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.

administratively implement 2016 plan year mortality tables given their uncertain release date and the potential for substantial changes from 2015 tables.

Plan administrative procedures often require that the applicable interest and mortality rates be known several months in advance of the plan year (for example, to facilitate timely provision of benefit election information to participants electing to commence their benefit effective January 1). Under the current Treasury procedures, plan sponsors and administrators of calendar year plans will know the applicable interest rates and applicable mortality table in effect for the next (calendar) plan year as early as mid-September (if they elect to use the maximum permissible lookback period for interest rates). This knowledge allows plan administrators to begin providing retirement packages to eligible participants three to four months in advance of their annuity starting date, to allow for thoughtful consideration of the available options. It is critically important that the mortality tables for 2016 be available and incorporated into plan administration systems and valuation software by the time the August 2015 segment rate notice is published.

As noted in our February 5, 2015, letter[2] 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. If the IRS and Treasury conclude that it is appropriate or necessary to extend use of the current underlying basis for determining the applicable mortality rates for 2016, the updating of administrative systems and valuation software can be accomplished with relative ease, as plan administrators, actuaries, and software developers have been making such updates since 2008. However, if the IRS and Treasury decide that it is appropriate and necessary to update to a different underlying assumption basis that reflects a new structure (e.g., a change from static rates to generational projection), it is imperative that the new tables be announced immediately. Even then, many plans will face a significant challenge to implement the new tables in a timely manner and may experience compliance failures if they are unable to do so. We also believe that a change to a different underlying assumption basis with a similar structure (e.g., a move to a static version of the RP-2014 tables) should be announced as soon as possible. Depending upon the structure of the 2016 mortality tables, it could take several additional months to allow for careful updating and testing of the changes.

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We appreciate the IRS and Treasury giving consideration to these comments and welcome the opportunity to discuss them in further detail at your convenience. Please contact Matthew Mulling, the Academy's pension policy analyst, at 202-785-7868 or mulling@actuary.org if you have any questions or would like to arrange a time to discuss these items further.

Respectfully submitted,

Michael F. Pollack, MAAA, FSA, EA, FCA
Chairperson, Pension Committee
American Academy of Actuaries

[2] http://www.actuary.org/files/IRS_Funding_and_417_Mortality_Comment_Letter_02052015.pdf