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IRS Issues New Mortality Table

Notice 2015-53: New Mortality Table

On July 31, 2015, the Internal Revenue Service issued Notice 2015-53 which provides the updated mortality tables that will be used for defined benefit plans. ("RP-2014"). The new tables will affect valuation dates beginning during 2016. In addition, a modified unisex table was issued to be used to determine lump sum values under IRC Section 417(e)(3), which will be used for distributions with annuity dates that occur during stability periods beginning in calendar year 2016.

The current underlying mortality tables ("RP-2000") used to determine liabilities for most defined benefit plans were published by the Society of Actuaries in 2000, and have been adjusted annually to reflect expected mortality improvements, usually by using the mortality projection Scale AA. Recognizing a need to refresh these these rates, the Society of Actuaries ("SOA") began a study in 2009 and published RP-2014 and new morality projection assumptions ("MP-2014") in 2014. The new mortality tables and projection scales, reflect longer life spans. As life expectancy increases, so does the cost of pension annuity payments. The SOA predicts that defined benefit plan liabilities could grow anywhere from 4% to 8%. This will mean higher contribution rates, greater lump sum values, and higher variable rate PBGC premiums for underfunded plans.