

SOA Releases New Mortality Improvement Scale and New Base Mortality Table

The Society of Actuaries (SOA) has released mortality improvement scale MP-2019, an annual update to the scale MP series released since 2014. In addition, the SOA has released a new base mortality table that will generally replace the RP-2006 (more commonly referred to as RP-2014 in past years) base mortality rates in use since 2014. The MP improvement scale is generally used for most ASC 715 disclosures, and is used to determine life expectancy for most single-employer defined benefit plan funding calculations, along with PBGC premium determination and calculation of minimum lump sums.

Slightly Lower Liabilities for MP-2019 vs. MP-2018 and PRI-2012 vs. RP-2006

For those who do not appreciate acronyms, the translation is that current mortality rates are expected to be slightly higher (generating lower liabilities and life expectancy) than last year's releases, and the rate that life expectancy is expected to increase in the future is also slightly lower (also generating lower liabilities). Guidance provided in the PRI-2012 report and the MP-2019 report suggest that older populations will see more significant decreases in liability vs. the prior combination of RP-2006 and MP-2018, and plans with lower-paid participants will see less change than those plans with a higher concentration of highly-paid participants.

Collar adjustments under the new PRI-2012 assumptions are the same as those used in the RP-2006 tables, and groups with blue collar adjustments should expect to see less change in liabilities than those with white collar adjustments. Groups with a wide population range (between white and blue collar) can expect to be somewhere in the middle. Overall, we expect that most sponsors will see liability reductions in the zero to one percent range.

One Significant Change for PRI-2012 Mortality vs. RP-2006

Under the prior set of mortality tables, plans generally assumed survivors of annuitants (e.g., beneficiaries of deceased participants who selected a Joint and Survivor form of payment) would have life expectancy similar to annuitants of their same gender and age. The SOA found that surviving beneficiaries generally have less favorable experience (lower life expectancy) than annuitants, and released a separate assumption for such individuals. Plan sponsors will likely want to adopt this separate mortality assumption for survivors. This is a new development, but there may be additional implications going forward in regard to choosing updated actuarial equivalence assumptions for non-lump sum plan benefit options.

Plan sponsors should work with their actuary and auditor to determine how the new tables will affect accounting results and whether revisions should be made to results in process or already finalized.

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When the New Rates Will Be Reflected for Single Employer Plans

Plan sponsors should consider using the updated base tables and mortality improvement rates for purposes of plan accounting results immediately. We expect auditors to request sensitivity analysis in any case where results have been prepared but the audit has not yet been finalized.

Plan sponsors should work with their actuary and auditor to determine how the new tables will affect accounting results and whether revisions should be made to results in process or already finalized.

For PPA funding, determination of PBGC premiums in single employer plans and payment of lump sums calculated using minimum applicable rates, relief is scheduled to occur no sooner than 2021 as the IRS has already released rates applicable for plan years beginning in 2020. Funding calculations do not reflect collar adjustments, though we can hope that at some point, the IRS will recognize that using them would provide a better estimate.

What About Multiemployer Plans? PRI-2012 Tables Now Include Multiemployer Data

The RP-2006 set of tables were generated excluding data from participants in multiemployer plans. However, the SOA chose to include those participants in the development of PRI-2012 tables, suggesting that the array of collar and income-level adjustments proved to be a reasonable fit for multiemployer plans.

Unlike single employer plans, which generally apply a total dataset table prescribed by the IRS, the mortality assumptions used by multiemployer plan actuaries for funding and projection of future costs are more disparate. How quickly these tables are adopted by actuaries for multiemployer plans remains to be seen.

This Technical Update is provided for informational purposes only and does not constitute as legal advice.

The Technical Update contains only a summary of the applicable legal provisions.

Please use this Technical Update as a guide for your compliance obligations.



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