



AMERICAN BENEFITS
COUNCIL

August 17, 2015

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Dear Mark, Vicki, and Robert:

On behalf of the American Benefits Council (the "Council"), I am writing with respect to the project to update the mortality tables for purposes of the pension rules, including funding, benefit restrictions, and lump-sum distributions.

The Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans.

First, we applaud Treasury and the Service for issuing Notice 2015-53 in a timely and helpful manner. The Notice provides much needed guidance for plan years starting in 2016. The Notice also makes it clear that updating the definition of the Applicable Mortality Table in light of the RP- 2014 Mortality Tables Report and the Mortality Improvement Scale MP-2014 Report will be done through the notice and comment process (with a hearing). We think that this is exactly how this project should move forward and we very much look forward to our continued discussions on this critical topic.

In this regard, we had a very good meeting with Treasury and the Service on June 19, 2015, with respect to the mortality issues. One of the core issues discussed was whether the Society of Actuaries' ("SOA") projections of mortality improvements between 2006 and 2014, which helped form the basis for the RP-2014 tables, were appropriate in light of actual mortality experience for 2007-2010, as reported by the Social Security Administration ("SSA"), and data for 2011-2013 produced by the Center for Disease Control ("CDC") and the Human Mortality Database. Concerns were expressed by the government about any reliance on the data for 2011-2013 due to concerns about the quality of the data. Since this was a key issue for the government at the meeting, we thought that SSA's recent announcement of 2011 actual improvements might be very helpful to the discussion. SSA found that mortality improved by 1.1% (i.e.,

the reduction in the central death rate), exactly the same as the CDC data, and far below the previous projection by the SSA of 2.2%. Thus, we see that the CDC information proved to be accurate and the trend of lower mortality improvement than expected (by the SSA and the SOA) has continued for yet another year.¹

We understand very well that experience during one year should not be relied on and that mortality rates will vary. Our purpose in providing the 2011 SSA data is to show (1) the reliability of the CDC data, and (2) the continuation of a pattern that is much more significant than the results of a single year. The SSA data shows actual annual improvement during the 2007-2011 period of just over 1%, as contrasted with SOA's "projections" for the same period of more than 2% for most ages in the retirement years. For mortality guidance not to take this pattern into account would be concerning, as it would appear to rely more heavily on SOA's projections than on the actual experience reported by the SSA. And it is important to note that SSA's data (based on the entire population) – over 316 million estimated lives -- is far more extensive than SOA's pension plan population data – less than 11 million lives.

For the mortality guidance to rely more heavily on SOA's projections than on actual mortality experience would also force consulting actuaries not to follow Actuarial Standards of Practice No. 35 ("ASOP 35"), which requires them to take into consideration all the relevant facts when setting demographic assumptions, one of which is mortality. Of course, the legal requirement would override the ASOP, but regulations should not be structured in such a way as to be inconsistent with basic actuarial principles.

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We thank you for your consideration of the issues addressed in this letter and at our meeting. We look forward to discussing these issues with you further.

Sincerely,



Lynn D. Dudley
Senior Vice President,
Global Retirement and Compensation Policy

cc: George Bostick
Michael Brewer
Kyle Brown
Dominic DeMatties
William Evans
Lauson Green
Linda Marshall
Robert Neis
Neil Sandhu
Michael Spaid
Laura Warshawsky
Harlan Weller
David Ziegler
Carol Zimmerman

¹ Please see <http://www.socialsecurity.gov/OACT/STATS/table4c6.html>