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 thank Treasury and the Service for their hard work in addressing this critical issue and for the very constructive dialogue. We look forward to continuing discussions on this issue as the process moves forward. We also appreciated last week’s guidance, which was very timely.

In this regard, we had a very helpful meeting with Treasury and the Service last year. One of the core issues discussed was whether the Society of Actuary’s (“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.

At the meeting, 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 2012 actual improvements (in addition to last year’s announcement of 2011 actual improvements) might be very helpful to the discussion. SSA found that mortality did not improve during 2012, very similar to the CDC data which showed improvement of 0.1%, and far below the previous projection by the SSA of 2.1%. Thus, we see that the CDC information proved to be very close to accurate again this year and the trend of lower mortality improvement than expected (by the SSA and the SOA) has continued for two more years.\(^1\) (For 2013, CDC shows an improvement of 1%, again far below the SOA projection.)

We understand very well that experience during two years (2011 and 2012) should not be relied on and that mortality rates will vary. Our purpose in providing the 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 just two years. The SSA data shows actual annual improvement during the 2007-2013 period of 0.9%, 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 326 million estimated lives -- is far more extensive than SOA’s pension plan population data -- less than 11 million lives. We would also note that SOA has publicly indicated that it anticipates publishing Scale MP-2016 later this year, which will reflect the new data published by the SSA. We applaud SOA in this regard.

For the mortality guidance to rely more heavily on SOA’s original 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.

\* \* \*

\(^1\) Please see [https://www.ssa.gov/OACT/STATS/table4c6.html](https://www.ssa.gov/OACT/STATS/table4c6.html).
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
American Benefits Council

cc:
Michael Brewer
Kyle Brown
William Evans
Lauson Green
Linda Marshall
Robert Neis
Neil Sandhu
Michael Spaid
Laura Warshawsky
Harlan Weller
David Ziegler