



AMERICAN BENEFITS
COUNCIL

May 6, 2016

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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.

We strongly support the effort to update the mortality tables to make them more accurate, including reflecting employer experience, as we have discussed. As most recently demonstrated with our detailed submission regarding substitute mortality tables reflecting partial credibility, we are committed to contributing constructively to this process. In that regard, we look forward to the opportunity to meet to discuss our substitute mortality table submission. Please let us know some times that would work for you.

With respect to the effective date of the new assumptions, we continue to request that there be at least a 12-month period between finalization of the new assumptions and the effective date of those assumptions. In this regard, we are concerned that making the new assumptions effective for plan years beginning after December 31, 2016, would cause three very significant problems:

- First, this would not leave sufficient time for a robust public policy discussion of this complex issue, including a public hearing.
- Second, the new assumptions could have an enormous effect on plan sponsors' funding obligations. Plan sponsors will generally need at least a 12-month period between publication of the final rules and the effective date in order to adjust business plans to take into account the new assumptions.
- Third, significant changes to administration/pension calculation systems and valuation calculations and programs (e.g., new relative value regulation compliance systems and possible use of a two-dimensional mortality improvement scale) will likely be needed to comply with new rules, adding to the need for at least a 12-month period between finalization and effective date.

We thought that further discussion of the third point might be helpful. The complex defined benefit ("DB") plan calculations, mandatory disclosures (e.g., relative value), and notices under the Code and Department of Labor regulations are painstakingly programmed into Council members' DB plan administration systems and reviewed with the plan sponsor, so that the benefits and optional payment forms can be properly and fairly reviewed, and informed elections may be made by the prospective payees within the plan's applicable election period for benefits.

For the large number of plans that offer lump sums and other payments subject to Section 417(e), updating systems, especially if two-dimensional mortality improvement scales are required, will be very time consuming, particularly in light of the need to certify the systems and to review the new rules with plan sponsors.

While Council members have different internal protocols and schedules for their professional services, here are the tasks, in general and greatly simplified, which our members will need to conduct, especially for DB plan benefit certification:

1. Develop a project scope and change coding to meet any final regulation
2. Prepare and check test cases
3. Comply with internal peer review standards

4. Comply with external industry professional requirements (i.e., Actuarial Standards of Practice (“ASOPs”))
5. Certify that the calculation engine is complete
6. Prepare communications for plan sponsors, both for benefits experts and, in some cases, for participants.
7. Meet with plan sponsors’ benefits experts and discuss new assumptions and participant communications.
8. Finalize plans to implement and communicate new assumptions.

This process cannot be squeezed into a short period of time in the case of very significant and complicated changes. At least a year is needed between the date of finalization and the effective date of the new assumptions.

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

Sincerely,



Lynn D. Dudley,
Senior Vice President,
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American Benefits Council

cc: Michael Brewer
Kyle Brown
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