

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 1.430(h)(3)-2: Plan-specific substitute mortality tables used to determine present value

(Also: § 1.430(h)(3)-1)

Rev. Proc. 2025-21

SECTION 1. PURPOSE

This revenue procedure modifies section 12 of Rev. Proc. 2024-32, 2024-34 IRB 523. Revenue Procedure 2024-32 specifies the procedure by which the sponsor of a defined benefit plan that is subject to the funding requirements of § 430 of the Internal Revenue Code (Code) may request approval from the Internal Revenue Service (IRS) for the use of plan-specific substitute mortality tables in accordance with § 430(h)(3)(C) and § 1.430(h)(3)-2 of the Treasury Regulations.¹

¹ Section 302 of the Employee Retirement Income Security Act of 1974, Pub. L. 93-406, as amended (ERISA) sets forth funding rules that are parallel to those in § 412 of the Code, and section 303 of ERISA sets forth additional funding rules for defined benefit plans (other than multiemployer plans) that are parallel to those in § 430 of the Code. Section 303(h)(3)(C) of ERISA requires the approval of the

Section 12.02 of Rev. Proc. 2024-32 specifies that, in conjunction with the replacement of the generally applicable mortality tables, certain plan sponsors that wish to continue using plan-specific mortality tables must develop and request approval for the use of new plan-specific substitute mortality tables for plan years beginning on or after January 1, 2026. This revenue procedure provides immediate relief for some of those plan sponsors by narrowing the category of plan sponsors that are required to request approval of new plan-specific substitute mortality tables.

SECTION 2. BACKGROUND

.01 *Statutory background.* Section 412 sets forth minimum funding requirements for defined benefit pension plans. In accordance with § 412(a)(2)(A), § 430 specifies the minimum funding requirements for a defined benefit plan (other than a multiemployer plan described in § 414(f) or a CSEC plan described in § 414(y)).

.02 *Generally applicable mortality tables.* Section 430(h)(3)(A) sets forth rules regarding the use of generally applicable mortality tables for purposes of § 430, and § 430(h)(3)(B) requires the Secretary to make periodic revisions (at least every 10 years) to those mortality tables. The generally applicable mortality tables were replaced for valuation dates occurring on or after January 1, 2024, in TD 9983 at 88 FR 72357 (Oct. 20, 2023).

.03 *Plan-specific substitute mortality tables.*

(1) *Statutory background.* Section 430(h)(3)(C) provides that the Secretary may approve plan-specific substitute mortality tables to be used for a plan (in lieu of the

Secretary of the Treasury for the use of substitute mortality tables, and this revenue procedure applies for that purpose.

generally applicable mortality tables) for a period not to exceed 10 years in determining any present value or making any computation under § 430. Substitute mortality tables meet the requirements for approval if the pension plan has enough participants and has been maintained for a long enough period of time to have credible mortality experience, and those tables reflect the actual experience of the plan and projected trends in general mortality experience. Except as provided by the Secretary, a plan sponsor may not use substitute mortality tables for any plan unless substitute mortality tables are established and used for each plan subject to § 430 that is maintained by the plan sponsor or a member of the plan sponsor's controlled group.

(2) Regulations regarding substitute mortality tables.

(a) *General rules.* Under § 1.430(h)(3)-2(c)(2), substitute mortality tables must reflect the actual mortality experience of the pension plan for which the tables are to be used, and that mortality experience must be credible. Separate mortality tables must be established for each gender under the plan and, in general, substitute mortality tables are permitted to be established for a gender only if the plan has credible mortality experience (including partially credible mortality experience) with respect to that gender.

(b) *Development of substitute mortality tables.* Under § 1.430(h)(3)-2(c)(3), development of substitute mortality tables under the regulations requires creation of a base substitute mortality table ("Substitute Base Table") with an associated base year, which is used in conjunction with mortality improvement factors to construct generational mortality tables. Under § 1.430(h)(3)-2(d), the Substitute Base Table for a population within the plan must be constructed in a multiple-step process based on (i) a projection of the generally applicable mortality table for that population to the base year for the Substitute Base Table, and (ii) an amounts-weighted mortality ratio calculated from the experience study for that population. Under § 1.430(h)(3)-2(d)(6), Substitute Base Tables for a plan may be constructed by developing and applying a single mortality ratio for both genders, but only if the substitute mortality tables used for all

plans maintained by members of the plan sponsor's controlled group (except for plans for which both the male and female populations, considered separately, have mortality experience with full credibility) are constructed in this manner.

(c) *Early termination of approved substitute mortality tables.* Section 1.430(h)(3)-2(c)(6)(ii) provides for early termination of the use of approved substitute mortality tables when certain changes in circumstances occur, with the year of termination dependent on the particular change in circumstance.

Under § 1.430(h)(3)-2(c)(6)(ii)(C), early termination applies to the second plan year following the plan year for which there is a significant change in the individuals covered by the plan, as described in § 1.430(h)(3)-2(c)(6)(iii). Section 1.430(h)(3)-2(c)(6)(iii)(A) provides that a significant change in coverage occurs if the number of individuals covered by the substitute mortality table for the plan year is less than 80 percent or more than 120 percent of the average number of individuals in that population over the years covered by the experience study on which the substitute mortality tables are based. However, § 1.430(h)(3)-2(c)(6)(iii)(A) provides that a change in coverage is not treated as significant if the plan's actuary certifies in writing to the satisfaction of the Commissioner that the substitute mortality tables used for the population continue to be accurately predictive of future mortality for that population (taking into account the effect of the change in the population).

Section 1.430(h)(3)-2(c)(6)(ii)(E) provides that the use of an approved substitute mortality table must be terminated in conjunction with the replacement of the generally applicable mortality tables specified in § 430(h)(3)(A) and § 1.430(h)(3)-1 and that the date of the termination will be specified in guidance published in the Internal Revenue Bulletin.

(d) *Amendments to regulations relating to substitute mortality tables.* The regulations related to the construction and use of substitute mortality tables were

amended by TD 10005 at 89 FR 61345 (July 31, 2024). Under those amendments, in determining the mortality ratio used to develop plan-specific substitute mortality tables, certain adjustments to the probability of death must be made to the mortality rates from the standard mortality table. These adjustments, which are specified in § 1.430(h)(3)-2(d)(4)(iii)(B), apply for 12-month periods beginning in 2020, 2021, or 2022.

.04 *Revenue Procedure 2024-32*. Revenue Procedure 2024-32 was issued to provide the procedure for the approval of substitute mortality tables that would first apply for a plan year beginning on or after January 1, 2025. Rev. Proc. 2024-32 also specified the plan year for which the use of certain previously approved substitute mortality tables must be terminated in conjunction with the replacement of the generally applicable mortality tables specified in § 430(h)(3)(A) and § 1.430(h)(3)-1. Specifically, section 12.02 of Rev. Proc. 2024-32 provided that if a substitute mortality table was first approved for use for a plan year that began before January 1, 2025, and the number of individuals covered by the substitute mortality table is less than 80 percent or more than 120 percent of the average number of individuals in that population over the 12-month periods covered by the experience study, then the substitute mortality table may not be used for a plan year beginning on or after January 1, 2026. This termination, which is pursuant to § 1.430(h)(3)-2(c)(6)(ii)(E), applies without regard to whether the actuary makes the certification described in § 1.430(h)(3)-2(c)(6)(iii)(A). Section 12.03 of Rev. Proc. 2024-32 provides that if a plan is not described in section 12.02 of that revenue procedure, there is no early termination of the use of previously approved substitute mortality tables merely because of the replacement of the generally applicable mortality tables specified in § 430(h)(3)(A) and § 1.430(h)(3)-1.

.05 *Executive Order 14219*. On February 19, 2025, the President issued Executive Order 14219, *Ensuring Lawful Governance and Implementing the President's "Department of Government Efficiency" Deregulatory Initiative* (Executive Order 14219). Executive Order 14219 directs agencies to initiate a review process for the identification

and removal of certain regulations and other guidance that meet any of the factors set forth in Executive Order 14219. Pursuant to the review directed by Executive Order 14219, the Treasury Department and the IRS have determined that the modification of section 12 of Rev. Proc. 2024-32 that is provided in this revenue procedure will reduce burden and provide immediate relief for certain plan sponsors that maintain plans described in section 12.02 of Rev. Proc. 2024-32. This relief will apply for a plan sponsor that maintains a plan for which previously approved substitute mortality tables were developed using a single mortality ratio for both genders, if the mortality table for one gender has had a significant change in the number of individuals covered by that table but there has been no significant change in the number of individuals covered by the plan as a whole.

SECTION 3. MODIFICATION OF REVENUE PROCEDURE 2024-32

Section 12.02 of Rev. Proc. 2024-32 is revised to read as follows:

.02 Plans with significant changes in coverage. (1) In general. If a substitute mortality table was first approved for use for a plan year that began before January 1, 2025, and the number of individuals covered by the substitute mortality table is less than 80 percent or more than 120 percent of the average number of individuals in that population over the 12-month periods covered by the experience study, then the substitute mortality table may not be used for a plan year beginning on or after January 1, 2026. This termination, which is pursuant to § 1.430(h)(3)-2(c)(6)(ii)(E), applies without regard to whether the actuary makes the certification described in § 1.430(h)(3)-2(c)(6)(iii)(A).

(2) Exception for plans using a mortality ratio determined with combined genders. If Substitute Base Tables for a plan (or plans) were developed using the option in § 1.430(h)(3)-2(d)(6) to determine a single mortality ratio for both genders in a

population, then the early termination of the permitted use of a substitute mortality table specified in section 12.02(1) will not apply if the total number of individuals covered by the substitute mortality tables developed using that mortality ratio is not less than 80 percent and not more than 120 percent of the average number of individuals in the population used to determine that mortality ratio over the 12-month periods covered by the experience study, provided that the plan actuary certifies in writing to the satisfaction of the Commissioner that the substitute mortality tables used for the population continue to be accurately predictive of future mortality of that population (taking into account the effect of the change in the population) as described in § 1.430(h)(3)-2(c)(6)(iii)(A).

SECTION 4. EFFECT ON OTHER DOCUMENTS

Section 12.02 of Rev. Proc. 2024-32 is modified.

SECTION 5. EFFECTIVE DATE

The modification of Rev. Proc. 2024-32 made by this revenue procedure is effective for all requests for approval to use plan-specific substitute mortality tables in accordance with § 430(h)(3)(C) for which the first year that the substitute mortality tables would apply begins on or after January 1, 2026.

SECTION 6. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of

information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by the Office of Management and Budget.

The collections of information, related to the procedures for obtaining IRS approvals, mentioned in the revenue procedure 2025-21 are already approved by the Office of Management and Budget (OMB) under OMB number 1545-2073. Section 3 of the revenue procedure 2025-21 describes the criteria for when mortality tables need IRS approval. The clarification of the criteria, in Section 3, is not creating new collection requirements or changing the existing collection requirements already approved under 1545-2073.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. section 6103.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Arslan Malik of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding the submission of a request for approval to use substitute mortality tables, please contact Christopher Denning at (202) 317-5755.