

Significant Index No. 0430.00-00



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

JUL 13 2023

Release Number: 202340021

Release Date: 10/6/2023

Re: Substitute Mortality Table Ruling

Taxpayer =

EIN: -

Plan 1 =

EIN: - ; PN:

Plan 2 =

EIN: - ; PN:

Plan 3 =

EIN: - ; PN:

Dear :

This letter is to inform you that your request to use substitute mortality tables for making computations under section 430 of the Code for the above Plan 1 has been granted with respect to the populations specified in this letter. This ruling is effective for a period of up to 5 plan years beginning with the plan year commencing January 1, 2024 for Plan 1. Your request has been granted in accordance with section 430(h)(3) of the Code and section 303(h)(3) of the Employee Retirement Income Security Act of 1974.

This approval applies to the following specific populations of Plan 1:

- Male annuitants and nonannuitants, excluding disabled participants
- Female annuitants and nonannuitants, excluding disabled participants

Plan 1 identified above previously received a ruling, dated November 13, 2014, granting the use of a substitute mortality tables, effective for a period up to 10 years beginning with the plan year commencing January 1, 2015. The approved use of the substitute mortality tables currently being used will expire on December 31, 2024.

The Taxpayer submitted this new request for a ruling to use a substitute mortality table for the plan year beginning January 1, 2024 for Plan 1. At the same time, Taxpayer submitted a request to use substitute mortality tables for Plan 2. The ruling for Plan 2 is included in a separate letter.

Based on the information provided by the Taxpayer, all participants in Plan 3 do not have credible mortality experience, and therefore the standard mortality tables will be used for calculations under section 430 of the Code.

The new substitute mortality tables were developed based on an experience study period from January 1, 2016 through December 31, 2020, with a base year of 2018. The Taxpayer, via their authorized representative, explained that the Taxpayer's policy is to perform a mortality experience study every five years, with the most recent experience study being completed in 2022. The approved use of the substitute mortality tables currently being used will expire on December 31, 2024, well before the next mortality experience study will be conducted in 2027, so to continuously reflect the Taxpayer's specific pension mortality experience, the Taxpayer is requesting approval based on the 2022 experience study before the previous approval expires. Accordingly, Taxpayer originally sought approval for use of the new substitute mortality tables for Plan 1 for a new 10-year period effective with the plan year beginning January 1, 2024 for the Plan.

The request for approval for Plan 1 to use plan-specific substitute mortality tables for male and female annuitants and non-annuitants (excluding disabled participants) for up to 10 years beginning January 1, 2024 was tentatively denied and communicated to the Taxpayer on June 1, 2023. The primary reason for this tentative denial was related to the demonstration of population stability. Taxpayer amended their request from a 10-year period to a 5-year period on June 4, 2023. Your request to use substitute mortality tables for making computations under section 430 of the Code for the above Plan 1 has been granted with respect to the populations specified in this letter for a period of up to 5 plan years beginning with the plan year commencing January 1, 2024.

This request is made in accordance with section 430(h)(3)(C) of the Code, section 303(h)(3) of the Employee Retirement Income Security Act of 1974, section 1.430(h)(3)-2 of the Treasury Regulations ("Regulations"), and Revenue Procedure 2017-55.

Section 430(h)(3)(A) of the Code states, in relevant part, that the Secretary shall by regulation prescribe mortality tables to be used in determining any present value of making any computation under section 430 of the Code.

Section 430(h)(3)(C) of the Code states, that upon request by the plan sponsor and approval by the Secretary, a mortality table shall be used in determining any present value or making any computation under section 430 of the Code during the period of consecutive plan years (not to exceed 10) specified in the request.

Section 430(h)(3)(C)(ii) of the Code states, in relevant part, a substitute mortality table shall cease to be in effect as of the earliest of:

- (1) the date on which there is a significant change in the participants in the plan by reason of a plan spinoff or merger or otherwise, or
- (2) the date on which the plan actuary determines that such substitute mortality table does not meet the following requirements of Section 430(h)(3)(C)(iii) of the Code.

Section 430(h)(3)(C)(iii) of the Code states, in relevant part, that a mortality table meets the requirements of this section if:

- (I) there is a sufficient number of plan participants, and the pension plans have been maintained for a sufficient period of time, to have credible information necessary, and
- (II) such substitute mortality table reflects the actual experience of the pension plans maintained by the sponsor and projected trends in general mortality experience.

Section 1.430(h)(3)-2(c)(3) of the Regulations states, in relevant part, that the base year for the base substitute mortality table is the calendar year that contains the day before the midpoint of the experience study period. Additionally, a plan's substitute mortality tables must be generational mortality tables.

Section 1.430(h)(3)-2(c)(4) of the Regulations states, in relevant part, that if separate mortality tables are used for certain disabled individuals as permitted under section 430(h)(3)(D) of the Code, then those disabled individuals are disregarded for all purposes under section 1.430(h)(3)-2 of the Regulations, and mortality experience with respect to those individuals must be excluded in developing mortality rates for substitute mortality tables.

Section 1.430(h)(3)-2(c)(6)(ii) of the Regulations states, in relevant part, that a plan's substitute mortality tables must not be used beginning with the earliest of:

- (A) For a plan using a substitute mortality table for only one gender, the first plan year for which there is full or partial credible mortality information with respect to the other gender that had lacked credible mortality information (unless an approved substitute mortality table is used for that gender),
- (B) The first plan year in which the plan fails to satisfy the requirement that other plans and populations in the controlled group must also use substitute mortality tables unless it can be demonstrated that they do not have credible mortality information (taking into account the transition period for newly affiliated companies),
- (C) The second plan year following the plan year for which there is a significant change in individuals covered by the plan as described in Section 1.430(h)(3)-2(c)(6)(iii) of the Regulations.
- (D) The plan year following the plan year in which a substitute mortality table used for a plan population is no longer accurately predictive of future mortality of that population,

as determined by the Commissioner or as certified by the plan's actuary to the satisfaction of the Commissioner, or

- (E) The date specified in guidance published in the Internal Revenue Bulletin pursuant to a replacement of mortality tables specified under section 430(h)(3)(A) of the Code and section 1.430(h)(3)-1 of the Regulations, other than annual updates to the static mortality tables issued pursuant to section 1.430(h)(3)-1(a)(3) of the Regulations or changes to the mortality improvement rates pursuant to section 1.430(h)(3)-1(a)(2)(i)(C) of the Regulations.

Section 1.430(h)(3)-2(c)(6)(iii) of the Regulations states, in relevant part, a significant change in the individuals covered by a substitute mortality table for a plan year occurs if the number of individuals covered by the substitute mortality table for the plan year is less than 80% or more than 120% of either the average number of individuals in that population over the years covered by the experience study on which the substitute mortality tables are based, or the number of individuals covered by the substitute mortality table in a plan year for which a certification (described below) was made on account of a prior change in coverage. However, 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 of that population (taking into account the effect of the change in the population).

Section 1.430(h)(3)-2(d)(2) of the Regulations states, in relevant part, that the experience study period must consist of 2, 3, 4, or 5 consecutive 12-month periods, and must be the same period for all populations. The last day of the experience study period must be less than 3 years before the first day of the first plan year for which the substitute mortality tables are to apply. However, if the plan sponsor submits a request for approval to use of substitute mortality tables more than 1 year (and less than 2 years) before the first day of the first plan year for which the substitute mortality tables are to apply, then the experience study is not treated as failing to satisfy the rule in paragraph (d)(2)(ii)(A) of this section if the last day of the final year reflected in the experience data is less than 2 years before the date of submission. Section 1.430(h)(3)-2(d)(4) of the Regulations states, in relevant part, that the base mortality rates are determined by multiplying the mortality rate from the standard mortality table by the mortality ratio.

Section 1.430(h)(3)-2(e)(1) of the Regulations states, in relevant part, that if the actual number of deaths is less than the full credibility threshold, then the base mortality rates are determined using a partial credibility weighting factor.

The substitute mortality tables were developed based on an experience study period from January 1, 2016 through December 31, 2020, with a base year of 2018. This satisfies the requirements under sections 1.430(h)(3)-2(c)(3) and (d)(2) of the Regulations.

The substitute mortality tables were developed by adjusting the applicable standard mortality tables in section 1.430(h)(3)-1(d) of the Regulations with the mortality ratio and credibility weighting factors shown below.

Mortality Ratio and Credibility Weighting Factor Table

	Male Annuitants and Nonannuitants, Excluding Disabled Participants	Female Annuitants and Nonannuitants, Excluding Disabled Participants
Mortality Ratio		
Credibility Weighting Factor		

These were determined by aggregating male annuitant and nonannuitant experience and female annuitant and nonannuitant experience from the Plan 1 (excluding disabled participants).

This approval applies to the following specific populations:

- Male annuitants and nonannuitants, excluding disabled participants
- Female annuitants and nonannuitants, excluding disabled participants

Based on the information provided by the Taxpayer, the following populations do not have credible mortality experience, and therefore the standard mortality tables will be used for calculations under section 430 of the Code:

- Male and female disabled participants

In granting this approval, we have only considered whether the substitute mortality rates were developed in accordance with section 1.430(h)(3)-2 of the Regulations and Revenue Procedure 2017-55. Accordingly, we are not expressing any opinion as to the accuracy or acceptability of any calculations or other material submitted with your request.

Permission is hereby granted to use the substitute mortality rates shown in the table below for Plan 1.

Substitute Mortality Tables
Approved for use beginning with the plan year commencing
January 1, 2024 for the Plan
Base year 2018

Full Credibility Substitute Base Table		
Age	Male Annuitants and Non-annuitants	Female Annuitants and Non- annuitants
1		
2		
3		
4		

Full Credibility Substitute Base Table		
Age	Male Annuitants and Non-annuitants	Female Annuitants and Non- annuitants
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Full Credibility Substitute Base Table		
Age	Male Annuitants and Non-annuitants	Female Annuitants and Non- annuitants
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Full Credibility Substitute Base Table		
Age	Male Annuitants and Non-annuitants	Female Annuitants and Non- annuitants
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Full Credibility Substitute Base Table		
Age	Male Annuitants and Non-annuitants	Female Annuitants and Non- annuitants
119		
120		

The above mortality rates were developed based on an experience study period from January 1, 2016 through December 31, 2020, with a base year of 2018.

The Internal Revenue Service has reviewed the substitute mortality rates and supporting information, and has determined that based on the information submitted, the rates were developed in accordance with section 1.430(h)(3)-2 of the Regulations and Revenue Procedure 2017-55.

The above rates must be applied on a generational basis, as provided in section 1.430(h)(3)-2(c)(3) of the Regulations.

Your attention is called to section 430(h)(3)(C)(ii) of the Code and section 1.430(h)(3)-2(c)(6) of the Regulations, which describe the circumstances in which the use of the substitute mortality table will terminate before the end of the 5-year period described above. In general, the substitute mortality tables can no longer be used as of the earliest of:

- (1) For a plan using a substitute mortality table for only one gender, the first plan year for which there is full or partial credible mortality information with respect to the other gender that had lacked credible mortality information (unless an approved substitute mortality table is used for that gender),
- (2) The first plan year in which the plan fails to satisfy the requirements of section 1.430(h)(3)-2(c)(1) of the Regulations, regarding the requirement that other plans and populations in the controlled group must also use substitute mortality tables unless it can be demonstrated that they do not have credible mortality information (taking into account the transition period for newly affiliated companies in section 1.430(h)(3)-2(f)(3) of the Regulations),
- (3) The second plan year following the plan year for which there is a significant change in individuals covered by the plan as described in section 1.430(h)(3)-2(c)(6)(iii) of the Regulations,
- (4) The plan year following the plan year in which a substitute mortality table used for a plan population is no longer accurately predictive of future mortality of that population, as determined by the Commissioner or as certified by the plan's actuary to the satisfaction of the Commissioner, or

- (5) The date specified in guidance published in the Internal Revenue Bulletin pursuant to a replacement of mortality tables specified under section 430(h)(3)(A) of the Code and section 1.430(h)(3)-1 of the Regulations, other than annual updates to the static mortality tables issued pursuant to section 1.430(h)(3)-1(a)(3) of the Regulations or changes to the mortality improvement rates pursuant to section 1.430(h)(3)-1(a)(2)(i)(C) of the Regulations.

We draw your attention to the fact that Plan 3 experienced 88 deaths during the experience study period. Note that this population will have credible mortality experience if they experience at least 100 deaths during a 5-year period (corresponding to the length of the experience study used to construct the substitute mortality tables for the Plan). This is particularly important to monitor when the 5 year experience period overlaps with years impacted by the COVID-19 pandemic, where deaths are at an elevated rate. It is important to monitor these populations to ensure that appropriate action is taken should this occur, to avoid violating paragraph (2) above.

Section 1.430(h)(3)-2(c)(6)(iii) of the Regulations provides that the use of substitute mortality tables must be discontinued after a significant change in coverage unless 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 of the population (taking into account the effect of the change in the population). As noted on page 4 of this letter, a significant change in coverage occurs if the number of individuals covered by the substitute mortality table for a plan year is less than 80 percent or more than 120 percent of either (1) the average number of individuals in that population over the years covered by the experience study on which the substitute mortality table is based, or (2) the number of individuals covered by the substitute mortality table in a plan year for which a certification described in section 1.430(h)(3)-2(c)(6)(iii)(A) of the Regulations was made.

For reference, the average number of the combined male and female annuitants and nonannuitants in the plan over the years covered by the experience study, as well as the most recent number of combined male and female annuitants in the submission, are as follows:

	Male Annuitants and Nonannuitants	Female Annuitants and Nonannuitants
Average during the experience study period		
Most recent data in the submission (December 31, 2021)		

A certification must be provided each year that it is required under the Regulations, as described above, signed by the enrolled actuary for the plan and stating that the substitute mortality tables continue to be accurately predictive of the expected future mortality for the plan. The certification must also contain a statement that:

- a. The enrolled actuary is current with educational requirements set forth by the Joint Board for the Enrollment of Actuaries as well as any other actuarial designations asserted;
- b. The enrolled actuary was personally involved in the determination that the substitute mortality table is still accurately predictive and provides the actuary's best estimate for the Plan;
- c. In determining that the substitute mortality table is still accurately predictive, the enrolled actuary took into consideration the effect of business combinations, plan mergers or spinoffs and settlements/other risk transfers, and other events that would have similar effects on the relevant populations; and,
- d. The enrolled actuary has the specific knowledge and experience to make the judgements set forth above and attests to these representations.

All required certifications must be provided on or before the date Form 5500 is filed for each plan year for which the certification is required and must be accompanied by the supporting information relied upon by the enrolled actuary to make that certification. To the extent possible, please also provide the following supporting information:

- (1) The number of actual deaths during the experience study period used to develop the substitute mortality tables and the beginning and ending dates of the experience study period
- (2) A table showing the number of expected deaths and actual deaths, reported separately as of December 31, 2021 and for each plan year beginning with deaths during the plan year ending December 31, 2022 through the plan year immediately preceding the most recent actuarial valuation, and in total.
- (3) A table similar to the stability demonstration required under section 8 of Revenue Procedure 2017-55, showing the average number of participants in the population covered by the substitute mortality table during the experience study period and the number of participants in that population as of the end of each plan year, beginning with December 31, 2022 through the plan year immediately preceding the most recent actuarial valuation, expressed both as a headcount and as a percentage of the average number of participants in the experience study.
- (4) A table showing a comparison of (i) the average ages and (ii) percentage of the population, by the following monthly single life annuity brackets: under \$100, between \$100 and \$250, between \$250 to \$500, between \$500 to \$1,000, between \$1,000 and \$1,500, and \$1,500 and over, along with the average age and average benefit amount for the population in total. This information should also be provided for the population in the experience study and at the end of each plan year, beginning with the valuation date for the first plan year that the certification is required, through the date immediately preceding the most recent actuarial valuation at the time the information is reported.

(5) An explanation of any material changes in the population

This information must be provided to David M. Ziegler (or to another individual designated by the Service) to the following address:

Internal Revenue Service
Attn: Mr. David M. Ziegler
TE/GE: SE:T:EP:RA:T:A2
IR-6213
1111 Constitution Ave. NW
Washington DC 20224-0002

Failure to provide this information by the due date may result in a requirement that the standard mortality tables must be used for purposes of section 430 of the Code, beginning with the earlier of (1) the plan year for which the deadline for providing this information is missed or (2) the date required for early termination of the use of the substitute mortality tables pursuant to section 1.430(h)(3)-2(c)(6)(ii) of the Regulations.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

When filing Form 5500 for the plan years for which the substitute mortality tables are used, please note the information that is required to be attached to Schedule SB (Actuarial Information) in accordance with the instructions to that form.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representatives. Additionally, a copy of this letter ruling is being sent to the Manager, EP Classification in Houston, Texas and to the Manager, EP Compliance Unit in Chicago, Illinois.

If you require further assistance in this matter, please contact (ID#) at () - .

Sincerely,

David M. Ziegler, Manager
Employee Plans Actuarial Group 2

Enclosures

Notice 437, Notice of Intention to Disclose (Rulings)
A deleted copy of the ruling

cc: