Significant Index No. 0430.00-00

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

JAN 3 1 2024

Release Number: 202417026
Release Date: 4/26/2024

Re: Substitute Mortality Tables Ruling

Taxpayer =
EIN: -

Plans for which substitute mortality tables are requested:

Aggregated Group of Non-Union Plans:

Plan 1 =
EIN: - (Plan No.: )

Plan 2 = HII Newport News Shipbuilding, Inc. Retirement Plan
EIN: - (Plan No.: )

Aggregated Group of Union Plans:

Plan 3 =

EIN: - (Plan No.: )

Plan 4 =
EIN: - (Plan No.: )

Dear :

This letter is to inform you that your request to use substitute mortality tables for making computations under section 430 of the Internal Revenue Code ("Code") for the Aggregated Group of Non-Union Plans has been approved with respect to the populations specified in this letter. A separate ruling for the Aggregated Group of Union Plans is also being sent to you. This ruling is effective for a period of up to 5 plan years beginning with the plan year commencing January 1, 2024 for each of the Aggregated Group of Non-Union Plans. Your request has been approved in accordance with section 430(h)(3) of the Code and section 303(h)(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

This approval applies to the following specific populations of the Aggregated Group of Non-Union Plans:

- Male annuitants other than disabled male annuitants
- Female annuitants other than disabled female annuitants
- Male nonannuitants other than disabled male nonannuitants
- Female nonannuitants other than disabled female nonannuitants

The Taxpayer is currently using substitute mortality tables that were approved by the Internal Revenue Service ("IRS") on April 3, 2019, but the approval of those substitute mortality tables expires on December 31, 2023. The Taxpayer submitted this request for a ruling to use substitute mortality tables for the Aggregated Group of Non-Union Plans for a period of up to 5 plan years starting with the plan year beginning January 1, 2024, based on an experience study period from January 1, 2017 through December 31, 2021, with a base year of 2019. Separate experience studies were conducted for the Aggregated Group of Non-Union Plans and the Aggregated Group of Union Plans, as identified above.

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)(i) 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, that 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 a plan's substitute mortality tables must be generational mortality tables. Additionally, 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)-(a)(2)(i)(C) of the Regulations.

Section 1.430(h)(3)-2(c)(6)(iii) of the Regulations states, in relevant part, that 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.

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 (modified for ages 96 and older).

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.

Section 8 of Revenue Procedure 2017-55 states, in relevant part, that the average number of individuals within each population during the experience study period and the number of individuals within each population as of the last day of the plan year immediately preceding the plan year during which approval to use substitute mortality tables is requested must be provided in tabular form for each population within the plan (or plans within the aggregated group) for which approval to use substitute mortality tables is requested, aggregating all plans that have the same plan year.

The proposed base substitute mortality tables were developed based on an experience study period from January 1, 2017 through December 31, 2021, with a base year of 2019. This satisfies the requirements under sections 1.430(h)(3)-2(c)(3) and (d)(2) of the Regulations.

The proposed substitute mortality tables were developed without using the simplified rule (permitting substitute mortality tables to take into account only participants who are at least age 50 and less than age 100).

Taxpayer has represented that the participant mortality experience for the two plans that merged into Plan 1 during the experience period has been included for all years of the experience study.

Taxpayer has represented that the participant mortality experience for the plan participants who were spun out from Plan 1 and Plan 2 in 2021 was excluded for all years of the experience study.

Taxpayer has represented that, for purposes of the experience study, Plan 2 participants who earned benefits under both Plan 2 and Plan 3, had their total Plan 2 and Plan 3 benefits included in the Plan 2 experience and excluded from the Plan 3 experience.

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

**Mortality Ratio and Credibility Weighting Factor**

| Aggregated Non-Union Plans | | |
|---|---|---|
| | **Combined male and female annuitants, excluding disabled annuitants** | **Combined male and female nonannuitants, excluding disabled nonannuitants** |
| Mortality ratio | | |
| Credibility weighting factor | | |

These were determined by combining male and female annuitant (excluding disabled annuitants), and male and female nonannuitant (excluding disabled nonannuitants) experience for the Aggregated Group of Non-Union Plans. These adjustments are required under sections 1.430(h)(3)-2(d)(4) and (e)(1) of the Regulations.

Because the information submitted demonstrates that the Plans' annuitant population (excluding disableds) has credible mortality experience, the Plan's nonannuitant population (excluding disableds) has credible mortality experience, the Plan meets the requirement for applying substitute mortality tables for annuitants (excluding disableds) and for applying substitute mortality tables for nonannuitants (excluding disableds) without applying substitute mortality table to disableds. On this basis, application of substitute mortality mortality tables to the plan population will be as follows:

This approval applies to the following specific populations:

- Male and female annuitants other than disabled annuitants
- Male and female nonannuitants other than disabled nonannuitants

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 annuitants of the Aggregated Group of Non-Union Plans
- Male and female disabled nonannuitants of the Aggregated Group of Non-Union Plans

In granting this approval, we have only considered whether the Taxpayer's proposed base substitute mortality rates are 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 Taxpayer's proposed base substitute mortality rates shown in the table below for the Aggregated Group of Non-Union Plans.

| Substitute Mortality Tables<br>Approved for use beginning with the plan year<br>commencing January 1, 2024<br>Base year 2019 | | | | |
|---|---|---|---|---|
| **Age** | **Male annuitants, excluding disabled male annuitants** | **Female annuitants, excluding disabled female annuitants** | **Male nonannuitants, excluding disabled male nonannuitants** | **Female nonannuitants, excluding disabled female nonannuitants** |
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| Substitute Mortality Tables<br>Approved for use beginning with the plan year<br>commencing January 1, 2024<br>Base year 2019 | | | | |
|---|---|---|---|---|
| Age | Male annuitants, excluding disabled male annuitants | Female annuitants, excluding disabled female annuitants | Male nonannuitants, excluding disabled male nonannuitants | Female nonannuitants, excluding disabled female nonannuitants |
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| Substitute Mortality Tables<br>Approved for use beginning with the plan year<br>commencing January 1, 2024<br>Base year 2019 | | | | |
|---|---|---|---|---|
| Age | Male annuitants, excluding disabled male annuitants | Female annuitants, excluding disabled female annuitants | Male nonannuitants, excluding disabled male nonannuitants | Female nonannuitants, excluding disabled female nonannuitants |
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The above mortality rates were developed based on an experience study period from January 1, 2017 through December 31, 2021, with a base year of 2019.

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

The above base substitute mortality 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)(ii) 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 specified by the Taxpayer's written request for approval to use substitute mortality tables. 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(c)(1)(iv) of the Regulations or changes to the mortality improvement rates pursuant to section 1.430(h)(3)-1(b)(1)(iii) of the Regulations.

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). For this purpose, 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 (excluding disabled annuitants) and combined male and female nonannuitants (excluding disabled nonannuitants) in the Aggregated Group of Non-Union Plans over the years covered by the experience study, as well as the most recent number of combined male and female annuitants (excluding disabled annuitants) and combined male and female nonannuitants (excluding disabled nonannuitants) in the submission are:

| | **Combined male and female annuitants, excluding disabled annuitants** | **Combined male and female nonannuitants, excluding disabled nonannuitants** |
|---|---|---|
| Average headcount during the experience study period | | |
| Most recent headcount in the submission (December 31, 2022) | | |
| Percentage change | | |

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

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 the Form 5500 is filed for each plan year for which a certification is required under the Regulations, 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 study period.

(2) A table showing the number of expected deaths and actual deaths during 2023, reported separately as of December 31, 2022 and for each plan year thereafter 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 each population covered by the substitute mortality table during the experience study period and the number of participants in each 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 each population, by the following monthly single life annuity brackets: under $100, between $100 and $250, between $250 and $500, between $500 and $1,000, between $1,000 and $1,500, and $1,500 and over, along with the average age and average benefit amount for each population in total. This information should also be provided for each 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 each population.

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

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

This letter ruling may be revoked or modified retroactively if there was a misstatement or omission of controlling facts, the facts at the time of the transaction are materially different from the controlling facts on which the letter ruling was based, or the transaction involves a continuing action or series of actions and the controlling facts change during the course of the transaction.

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 the Schedule SB of Form 5500.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representative. Additionally, a copy of this letter ruling is being sent to the Manager, EP Classification Group 4 in Houston, Texas.

If you require further assistance in this matter, please contact (ID Badge Number ) at ( ) - . Please address all correspondence to SE:T:EP:RA:T:A2.

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: