

DECEMBER 2019

Society of Actuaries Releases Final Pri-2012 Mortality Tables and MP-2019 Improvement Scale for Private Sector Retirement Plans

A Bolton Alert from May of 2019 discussed the release of an exposure draft of new private-sector mortality tables. The Society of Actuaries (SOA) has now released the final versions of the tables. At the same time, the SOA also released the next annual installment of mortality improvement tables, MP-2019.

PRI-2012 MORTALITY TABLE

The new Pri-2012 Mortality Tables were developed based on data collected for 2010-2014. The Pri-2012 Mortality Tables update the RP-2006 Mortality Tables (more commonly known as the RP-2014 mortality tables adjusted to base year 2006), which were developed using data from 2004-2008. The Pri-2012 Mortality Tables are actually an update of the RP-2014 tables despite the naming nomenclature.

In developing the Pri-2012 tables, the SOA gathered data from over 400 private-sector pension plans across the U.S., including a substantial amount of information from multiemployer plans who were not represented in the RP-2006 tables. What was striking, however, is that participants in multiemployer plans were not found to have a significantly different mortality experience than participants in single-employer plans.

Below are other notable findings from the Pri-2012 study:

- Collar type (blue vs. white) and income level (including benefit amount for pensioners) were found to be significant indicators of mortality. In particular, collar type was found to be a stronger predictor of longevity than income level.
- In comparing the RP-2006 and the Pri-2012 total dataset tables, life expectancy for females remained roughly constant, but male life expectancy declined slightly. The life expectancy for a 65 year old female remained 87.4 years; the life expectancy for a 65 year old male decreased from 85.0 to 84.7 years.
- The Pri-2012 study was the first to separately review mortality experience for surviving spouses. This group was found to have lower longevity than retirees, leading to the creation of separate tables for surviving spouses.

In general, plans that update their mortality assumption from RP-2006 to Pri-2012 should see only a modest change in their pension liabilities, usually within +/- 1%. The amount will vary depending on the plan's mix of blue vs. white collar, age, and gender. Consistent with the RP-2006 tables, improvement projection scales should be used in conjunction with the Pri-2012 tables for future years.

MP-2019 IMPROVEMENT SCALE

The new mortality improvement scale, based on historical U.S. population mortality, continues the trend that the rate of increase in life expectancies are expected to be slightly less than each previous year. The SOA estimates that pension obligations will be 0.3%-1.0% lower under MP-2019 than under MP-2018.

WHEN SHOULD THESE TABLES BE REFLECTED?

Single-employer plan sponsors should consider reflecting both the Pri-2012 mortality table and the MP-2019 improvement scale for purposes of year-end plan accounting. Plan auditors may request a sensitivity analysis before accepting an update (or no update) to the base mortality table. Plan sponsors who have annually updated their improvement scale should generally adopt the MP-2019. Reflecting both a new base mortality table and an updated improvement scale is expected to lower liabilities.

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Multiemployer plan sponsors may also want to consider reflecting the new Pri-2012 base tables; however, their adoption is not yet mandatory.

For single-employer funding purposes (e.g., minimum funding requirements, PBGC premiums, lump sums calculations), as published this week in Notice 2019-67, the IRS has specified that the MP-2019 improvement scale will be used for valuation dates and annuity starting dates that occur during the 2021 calendar year. The Pri-2012 base table will not be reflected until at least 2022.

If you would like more information about the new mortality and improvement tables, and how they could affect your plan, please contact Jim Ritchie at 443-573-3924.