

## 2024 Mortality Tables Update

### Final Regulations Adopted For 1.430(h)(3)-1

On October 20, 2023, the IRS issued Final Regulations to 1.430(h)-1 – Mortality tables used to determine the present value for the calculations of the funding results under §IRC 430(h)(3)(A) used to determine the minimum contribution and maximum deduction contribution. The Final Regulations are effective for valuations on or after January 1, 2024, and finalize the proposed regulations that were released in April 2022 while incorporating requirements included in SECURE 2.0 described below.

The Final Regulations include the following rules for the use of mortality tables:

- **Elimination of Static Tables Except for Small Plans** – Proposed regulations from April 2022 were adopted with respect to eliminating the use of static tables except for small plans. Under the Final Regulations, only plans with 500 or fewer participants (active, terminated vested, and those receiving payments) as of the plan's valuation date are permitted to use Small Plan Static Combined mortality tables. All other plans must use the generational mortality tables, which combine the use of Base Mortality Tables and Mortality Improvement Rates (sometimes referred to as projection scales) and are referred to as the Standard Mortality Tables in the Final Regulation.
- **Base Mortality Tables** – The Base mortality tables adopted in the Final Regulations are based on the Pri-2012 Private Retirement Plans Mortality Tables Report (Pri-2012 Report) released by the Retirement Plan Experience Committee (RPEC) of the Society of Actuaries (SOA) in 2019. Small differences may exist between the SOA's Pri-2012 tables and the IRS Pri-2012 tables published in the Final Regulations. The IRS Pri-2012 Base mortality tables are gender specific and available in annuitant and non-annuitant versions for a total of 4 published tables.
- **Mortality Improvement Rates** – In October 2021, unadjusted mortality improvement rates were included in the Mortality Improvement Scale MP-2021 Report (MP-2021 Report) published by the RPEC. Section 335 of the SECURE 2.0 Act imposed a cap of 0.78 percent on the mortality improvement rates for valuation dates occurring in 2024 and later. The Final Regulations adopted the 2024 Adjusted Scale MP-2021 which applies the 0.78 percent cap imposed by SECURE 2.0 to the unadjusted MP-2021 Report mortality improvement rates. The 2024 Adjusted Scale MP-2021 Rates are gender specific.
- **Static Combined Mortality Table Option for Small Plans** – The Final Regulation permits small plans to use combined static mortality tables for plans with valuation dates on or after January 1, 2024, in lieu of using the generational mortality tables. The Small Plan Static Combined Mortality Tables are gender specific.
- **Individuals Not Identified as Male or Female** – The Final Regulations provide that the plan's actuary must use a reasonable approach in applying the §IRC 430(h)(3)(A) mortality tables for the portion of the plan's population whose gender is not identified. The Final Regulations include two examples of reasonable approaches that may be used, but other approaches may also be reasonable. The two examples provided in the Final Regulation are: 1) a weighted approach between male and female liability reflecting a gender distribution in the plan's population, and 2) assign male or female status randomly to an individual based on plan demographics for those individuals who are not identified as male or female.

- **Applicability Date** – The Final Regulations apply for funding valuation dates occurring on or after January 1, 2024.

## IRS Notice 2023-73

On October 19, 2023, the IRS issued Notice 2023-73 announcing the 2024 mortality tables to be used in the calculations of the §IRC Section 417(e) minimum lump sum (Applicable Mortality Table, or AMT). The notice published the static mortality table for distribution dates subject to §IRC 417(e)(3) with annuity starting dates during stability periods that begin in 2024.

## Proposed Regulations for Plan-Specific Substitute Mortality Tables

Final Regulations were adopted on October 5, 2017, covering the eligibility, development, and use of substitute mortality tables for the calculations of funding results under §IRC 430(h)(3)(A) used to determine the minimum contribution and maximum deduction contribution.

On October 20, 2023, proposed regulations were released which include updates to the requirements to use plan-specific mortality tables. While the proposed regulations retain the methodology for development of substitute mortality tables adopted with the 2017 Final Regulations, they also added rules regarding the use of mortality experience data for the COVID-19 pandemic period. The comment period for the proposed regulations closes on December 19, 2023. The proposed regulations are anticipated to be effective for valuations on or after January 1, 2025.

## ASC Analysis

Under the Final Regulations, all funding valuations on or after January 1, 2024, are required to use generational mortality tables as the standard, or default, mortality assumption. Small plans may use static combined mortality tables instead. ASC is programmed to handle generational mortality tables which combine base mortality tables with mortality improvement rates.

The following tables are made available for ASC users for consideration in funding calculations for valuation dates in 2024 and later:

- **Generational Mortality Tables** – The default for all plans. Generational mortality tables combine base mortality tables with mortality improvement rates. The IRS Pri-2012 Base mortality tables are gender specific and provided for annuitant and non-annuitant categories. The 2024 Adjusted MP-2021 Rates are gender specific.
- **Small Plan Static Combined Mortality Tables** – Optional for plans with 500 or fewer total participants as of the valuation date. The 2024 small plan static combined mortality tables are gender specific.

### Small Plan Assumption Changes

The Final Regulations provide welcome relief to small plans by allowing the use of static combined male and female mortality tables but eliminated past years' options of using annuitant and non-annuitant versions (each gender specific) of static mortality tables.

Small plans that used annuitant and non-annuitant versions of static mortality tables for their previous funding valuations should expect to run valuations on January 1, 2024, and later with different mortality assumptions: either the generational mortality tables or the static combined mortality tables.

### Plans Using Substitute Mortality Tables

Plans using substitute mortality tables may continue to do so for funding valuations until the proposed regulations are finalized. If finalized in its current proposed form, substitute mortality tables used for valuations on or after January 1, 2025, would need to reflect the prescribed updates during the COVID-19 experience period.

## Future Changes to Published Mortality Tables

The generational mortality tables included in the Final Regulations may or may not change for funding valuations on or after January 1, 2025. Factors that would affect future updates include: 1) the publication by the Society of Actuaries of new base mortality tables due to new mortality studies, 2) the publication of new mortality improvement rates, and 3) statutory changes to the 0.78 percent cap applied to mortality improvement rates imposed by SECURE 2.0.

The Final Regulation included a note that the Small Plan Static Combined Mortality Tables would be updated in later years to reflect updates for mortality improvement.

## ASC Resources

The 2024 Small Plan Static Combined and IRS Pri-2012 Base Mortality Tables published in the Final Regulations as well as the Applicable Mortality Table published in Notice 2023-73, are available for download on the ASC website by logging into the [Client Support Center](#) and accessing the Updates & Downloads tab.

The 2024 Adjusted MP-2021 Rates are available to users who are current on patches and do not require a manual download to apply to your system.

We recommend users also select to download and review the step-by-step instructions, **PPA Mortality Tables Import Instructions.pdf**, which provides an overview of the tables available for download. A second document available from the same section, **DB Tables – Generational Mortality Projection Documentation.pdf** provides background on generational mortality tables. We are considering the creating of a single reference document covering all mortality-related topics.

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