

Publications

# Proposed New IRS Mortality Table May Impact Plan Funding and Benefit Payouts

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The IRS and Treasury recently proposed new regulations on the mortality tables for defined benefit retirement plans. 81 Fed. Reg. 95911 (Dec. 29, 2016). The proposed regulations include a new mortality table and mortality improvement scale, which have been anticipated in recent years. The new table generally provides for lower mortality rates than the table currently in use, which in turn increases the calculated present value of plan liabilities. Once finalized, this change will apply to minimum funding calculations for single-employer plans and will be used by the IRS as the basis to publish a new mortality table to be used to calculate the minimum present value for lump sum distributions to plan participants as required under Code section 417(e). The proposed regulations also relax the requirements for plan sponsors to use a substitute mortality table, which may allow many plans to avoid using the new IRS-prescribed mortality table for funding purposes.