legislative update

WHAT THE NEW MORTALITY TABLE RELEASE MEANS FOR TAFT-HARTLEY PENSION PLANS

Earlier this week the IRS released a notice delaying for at least one more year the implementation of an overhaul of the mortality tables used in the actuarial valuation and lump sum determinations of defined benefit plans. While the notice specifically addresses single employer plans, for Taft-Hartley pension funds this should also come as a small bit of good news.

Multiemployer plans (including Taft-Hartley Funds) are still valued using the actuary's discretion for the best estimate of life expectancy of the plan participants. However the frequent discussions about increasing life expectancy have led to more concern about how funding levels in multiemployer plans would be affected. Specifically, the concerns center around the risk that Congress or the IRS may mandate the use of the more recent mortality tables in multiemployer plans as they are currently mandated for single employer plans. Depending on the current table being used, the new rates could increase liabilities by 20% or more.

Current studies are reportedly underway that focus specifically on a union workforce, although release dates for the results of those studies are yet unknown. The recent studies that have been released do include a blue collar set of mortality rates, but these don't necessarily reflect a fully union workforce, or even one that is specifically in the construction trades.

Note that for purposes of paying lump sums from multiemployer plans, the IRS already mandates the use of published tables. The delay will avoid the overhaul in rates that would cause even higher lump sums. But the continual decline in interest rates can be expected to cause lump sum amounts to keep climbing. Plans that pay lump sums should be aware that amounts are likely to be higher in 2017 than in 2016.

About Cowden Associates, Inc.
Cowden Associates, Inc. is a Pittsburgh-based consulting and actuarial firm. We have a dedicated team of professionals with extensive experience in benefits, retirement programs, compensation, employee communications, actuarial and technology services. Using a total compensation based approach, Cowden Associates, Inc. provides a full range of consulting services helping clients establish and maintain high quality compensation and benefit programs aligning organizations' business strategies and objectives. Cowden Associates, Inc. is a charter partner of United Benefit Advisors (UBA), the nation's leading independent employee benefits advisory organization.

For more information please contact: Brad Rigby, Director, Retirement & Actuarial Services at 412.394.9980.

Four Gateway Center • 444 Liberty Avenue, Suite 605 • Pittsburgh, PA 15222-1222 • (412) 394-9330 • Toll Free (888) 889-9432
www.cowdenassociates.com | ElliotDofCowden | company/917086 | cowdenview