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COMMISSIONER
TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON D C 20224

NOV 14 2024

Release Number: 202506013
Release Date: 2/7/25

Re: Substitute Mortality Table Ruling

Taxpayer =
EIN: -

Plan 1 =
EIN: - (Plan No )

Plan 2 =
EIN: - (Plan No. )

Merger Date =

Dear Ms. Snyder:

This letter is to inform you that Taxpayer's request to continue to use the existing Plan 1 gender-specific substitute mortality tables (approved on October 30, 2018) for the post-merger Plan 1 for making computations under section 430 of the Internal Revenue Code ("Code") has been granted with respect to the populations specified in this letter. This ruling is effective for the remainder of the originally approved period for the substitute mortality tables approved for Plan 1 by the Internal Revenue Service ("IRS") on October 30, 2018[1]. Approval has been granted 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.

[1] Note, however, that section 12.2 of Revenue Procedure 2024-32 provides that if a substitute mortality table was first approved for use for a plan year that began before January 1, 2025, and the number of individuals covered by the substitute mortality table is less than 80 percent or more than 120 percent of the average number of individuals in that population over the 12-month periods covered by the experience study, then the substitute mortality table may not be used for a plan year beginning on or after January 1, 2026.

This letter is in response to Taxpayer's request dated May 30, 2024.

The following facts and representations have been submitted under penalties of perjury in support of the ruling requested.

Plan 2 will be merged into Plan 1 on Merger Date. Plan 1 will be the ongoing plan and retain its employer identification number and plan number. Prior to Merger Date, both Plan 1 and Plan 2 rely on substitute mortality tables approved by the IRS on October 30, 2018. Taxpayer, therefore, requests a ruling to continue to use the substitute mortality tables originally approved on October 30, 2018 for Plan 1 for the post-merger Plan 1 (including all participants from Plan 1 and Plan 2).

Taxpayer previously received a ruling, dated October 30, 2018, granting the use of male and female substitute mortality tables for Plan 1 (ignoring the plan merger), effective for a period up to 10 years beginning with the plan year commencing January 1, 2018. The experience study period used to construct these substitute mortality tables was the period from January 1, 2013 through December 31, 2016. Plan 1 (ignoring the plan merger) had a mortality ratio of 1.095162 and was 95.6848% credible.

Taxpayer previously received a separate ruling, dated October 30, 2018, granting the use of male and female substitute mortality tables for Plan 2, effective for a period up to 10 years beginning with the plan year commencing January 1, 2018. The experience study period used to construct these substitute mortality tables was the period from January 1, 2013 through December 31, 2016. Plan 2 had a mortality ratio of and was % credible.

Taxpayer represents that both Plan 1 and Plan 2 have a plan year equal to the calendar year. Taxpayer further represents that both Plan 1 and Plan 2 have had their respective populations decline by more than 20% from the average headcounts during their experience study periods. Actuarial certifications have been submitted, most recently in October 2023, stating that the substitute mortality tables remain accurately predictive of future mortality levels for the populations for Plan 1 and Plan 2, respectively, and remain the best estimate for Plan 1 and Plan 2, respectively, within the constraints imposed by section 1.430(h)(3)-2 of the Treasury Regulations ("Regulations").

Taxpayer represents that Plan 1 will be the ongoing plan after Merger Date. Taxpayer further represents that prior to Merger Date, Plan 1 has more than twice the headcount of Plan 2 and Plan 1 has more than four times the benefit-weighted population as Plan 2.

Taxpayer represents that the available mortality experience data for the period following the COVID pandemic indicates that the approved substitute mortality tables for Plan 1 (ignoring the plan merger), when applied to the combined populations of Plan 1 and Plan 2, results in an actual to expected ratio of on a benefits-

weighted basis and on a headcount-weighted basis. Taxpayer further represents that this strongly suggests that the currently approved substitute mortality tables for Plan 1 (ignoring the plan merger) are aligned with the experience of the combined post-merger Plan 1 for the post-COVID pandemic period.

Taxpayer represents that they believe that the currently approved substitute mortality tables for Plan 1 (ignoring the plan merger) are appropriate to use for the combined populations of Plan 1 and Plan 2 and remain accurately predictive of the future mortality of the combined populations of Plan 1 and Plan 2.

Taxpayer provided the following tables along with their submission:

| | Plan 1 | Plan 2 | Combined Plan 1 and Plan 2 |
|---|---|---|---|
| Average # of participants during experience study period | | | |
| Participants as of December 31, 2023 | | | |

| Combined Plan 1 and Plan 2 | | | | |
|---|---|---|---|---|
| | Experience Study Period | | December 31, 2023 | |
| Monthly Annuity | Average Age | Percent of Population | Average Age | Percent of Population |
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Taxpayer represents that based on the tables provided above, they believe that the current combined populations for Plan 1 and Plan 2 and the experience study of the combined populations for Plan 1 and Plan 2 have a similar distribution by monthly annuity bracket and the average ages for each monthly annuity bracket show a reasonable progression for the passage of time.

This approval applies to the following populations:

- Male participants (annuitants and nonannuitants) of Plan 1 (reflecting the plan merger), including disabled participants

- Female participants (annuitants and nonannuitants) of Plan 1 (reflecting the plan merger), including disabled participants

In granting this approval, we have only considered whether the substitute mortality rates were developed in accordance with section 1.430(h)(3)-2 of the Regulations, Revenue Procedure 2017-55, and Revenue Procedure 2024-32. 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 continue to use the substitute mortality tables that were approved on October 30, 2018 for Plan 1 (reflecting the plan merger):

**Substitute Mortality Tables for Plan 1**
**Approved for use for plan year commencing January 1, 2018**
**Base year 2014**

| Age | Male Participants | Female Participants |
|---|---|---|
| 1 | | |
| 2 | | |
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| 24 | | |
| 25 | | |
| 26 | | |

| Age | Male Participants | Female Participants |
|---|---|---|
| 27 | | |
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| 31 | | |
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| 65 | | |
| 66 | | |
| 67 | | |

| Age | Male Participants | Female Participants |
|---|---|---|
| 68 | | |
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| 107 | | |
| 108 | | |

| Age | Male Participants | Female Participants |
|---|---|---|
| 109 | | |
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| 120 | | |

Section 430(h)(3)(A) of the Code states, in relevant part, that except as provided in subparagraph (C) or (D), the Secretary shall by regulation prescribe mortality tables to be used in determining any present value of making any computation under this section. Such tables shall be based on the actual experience of pension plans and projected trends in such experience. In prescribing such tables, the Secretary shall take into account results of available independent studies of mortality of individuals covered by pension plans.

Section 430(h)(3)(C)(ii) of the Code states, in relevant part, that notwithstanding clause (i), a mortality table described in clause (i) shall cease to be in effect as of the earliest of—

(A) 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

(B) the date on which the plan actuary determines that such table does not meet the requirements of clause (iii).

Section 430(h)(3)(C)(iii) of the Code states, in relevant part, that a mortality table meets the requirements of this clause 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 for purposes of subclause (II), and

(II) such 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)(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 because of the lack of credible mortality information with respect to the other gender, the first plan year for which there is credible mortality information with respect to the

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 requirements of paragraph (c)(1) of this section (regarding use of substitute mortality tables for all plans in the controlled group), taking into account the rules of paragraph (f)(3) of this section (regarding the transition period for newly-affiliated plans);

(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 paragraph (c)(6)(iii) of this section;

(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 (see § 601.601(d) of this chapter) in conjunction with a replacement of mortality tables specified under section 430(h)(3)(A) and § 1.430(h)(3)-1 (other than changes to the mortality improvement rates under § 1.430(h)(3)-1(b)(1)(iii) or annual updates to the static mortality tables issued as noted in § 1.430(h)(3)-1(c)(1)(iv)).

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

(A) Change in coverage from time of experience study. For purposes of applying the rules of paragraph (c)(6)(ii)(C) of this section, 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 percent or more than 120 percent of the average number of individuals in that population over the years covered by the experience study on which the substitute mortality tables are based. 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).

(B) Change in coverage from time of certification. For purposes of applying the rules of paragraph (c)(6)(ii)(C) of this section, 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 percent or more than 120 percent of the number of individuals covered by the substitute mortality table in a plan year for which a certification described in paragraph (c)(6)(iii)(A) of this section 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 by the plan with respect to the covered 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(c)(3) of the Regulations states, in relevant part, that:

(i) Requirement to use generational mortality table. A plan's substitute mortality tables must be generational mortality tables. A plan's substitute mortality tables are determined using the plan's base substitute mortality tables developed pursuant to paragraph (d) or (e) of this section and the mortality improvement factors described in paragraph (c)(3)(ii) of this section.

(ii) Determination of mortality improvement factors. . . . 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.

Section 1.430(h)(3)-2(d)(2)(i) of the Regulations states, in relevant part, that the base substitute mortality table for a gender or other population must be developed from an experience study of the mortality experience of that population that is collected over an experience study period. 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 except as provided in paragraph (c)(5)(iii) of this section.

Revenue Procedure 2024-32 sets forth the procedure by which the sponsor of a defined benefit plan that is subject to the funding requirements of § 430 of the Code may request approval from the IRS for the use of the plan-specific substitute mortality tables in accordance in § 430(h)(3)(C) and § 1.430(h)(3)-2 of the Regulations.

Section 12.2 of Revenue Procedure 2024-32 states, in relevant part, that if a substitute mortality table was first approved for use for a plan year that began before January 1, 2025, and the number of individuals covered by the substitute mortality table is less than 80 percent or more than 120 percent of the average number of individuals in that population over the 12-month periods covered by the experience study, then the substitute mortality table may not be used for a plan year beginning on or after January 1, 2026. This termination, which is pursuant to § 1.430(h)(3)-2(c)(6)(ii)(E), applies without regard to whether the actuary makes the certification described in § 1.430(h)(3)-2(c)(6)(iii)(A).

The substitute mortality tables were developed based on an experience study period from January 1, 2013 through December 31, 2016, with a base year of 2014. This satisfies the requirements under sections 1.430(h)(3)-2(c)(3)(ii) and (d)(2)(i) of the Regulations.

The substitute mortality tables were developed by adjusting the applicable standard mortality tables, using the following mortality ratio and credibility weighting factor determined by aggregating male and female experience:

| Population | Aggregated Male and Female Participants of Plan 1 |
|---|---|
| Mortality ratio | |
| Credibility weighting factor | |

The above mortality rates must be applied on a generational basis, as provided in section 1.430(h)(3)-2(c)(3)(i) 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 tables will terminate before the end of the period described above.

We also call your attention to the early termination of previously approved substitute mortality tables in conjunction with the replacement of generally applicable mortality tables rules under section 12 of Revenue Procedure 2024-32. Specifically, section 12.2 of Revenue Procedure 2024-32 provides that the previously approved substitute mortality tables may not be used for a plan year beginning on or after January 1, 2026 if the number of individuals covered by the substitute mortality table is less than 80 percent or more than 120 percent of the average number of individuals in that population over the 12-month periods covered by the experience study.

For reference, the average number of the combined Plan 1 and Plan 2 aggregated male and female participants over the years covered by the experience study, as well as the most recent number of aggregated male and female participants for recent years are as follows:

| | Combined Plan 1 and Plan 2 Aggregated Male and Female Participants |
|---|---|
| Average during the experience study period | |
| As of December 31, 2020 | |
| As of December 31, 2021 | |
| As of December 31, 2022 | |
| As of December 31, 2023 | |

A certification must be provided each year that it is required under the Regulations, as described above, signed by the enrolled actuary for Plan 1 (reflecting the plan merger) and stating that the substitute mortality tables continue to be accurately predictive of the expected future mortality for the plan. The certification must also contain a statement that:

(1) 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;

(2) 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 Plan 1 (reflecting the plan merger);
(3) 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, settlements/other risk transfers, and other events that would have similar effects on the relevant populations; and,
(4) 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 Form 5500 is filed for each plan year for which the certification is required 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 experience study period.
(2) A table showing the number of expected deaths and actual deaths, reported separately for each plan year beginning with deaths during the plan year ending December 31, 2018 through the plan year immediately preceding the most recent actuarial valuation, and in total.
(3) A table showing the mortality gains/losses, reported separately for each plan year beginning with the plan year beginning on January 1, 2018 through the plan year immediately preceding the most recent actuarial valuation.
(4) A table similar to the stability demonstration required under section 8 of Revenue Procedure 2024-32, showing the average number of participants in the population included in the experience study and the number of participants in the population as of the end of each plan year, beginning with December 31, 2017 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.
(5) A table showing a comparison of (i) the average ages and (ii) percentage of the population, by the following monthly single life annuity brackets: under $100, between $100 and $250, between $250 to $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 the population in total. This information should also be provided for the 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.
(6) An explanation of any material changes in the 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
SE:T:EP:RA:T:A2, IR-6213
1111 Constitution Ave. NW
Washington, DC 20224-0002

Failure to provide this information by the due date may result in a requirement that the standard mortality tables under section 430(h)(3)(A) of the Code and corresponding Regulations, 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 substitute mortality tables pursuant to section 1.430(h)(3)-2(c)(6)(ii) of the Regulations.

Additionally, failure to request approval of substitute mortality tables for Plan 1 (reflecting the plan merger) for the 2026 plan year by the due date will result in a requirement that the standard mortality tables under section 430(h)(3)(A) of the Code and corresponding Regulations, must be used for purposes of section 430 of the Code.

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.

No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other section of either the Code or Regulations which may be applicable thereto, as appropriate.

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. 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 that form.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representatives.

Additionally, a copy of this letter ruling is being sent to the Manager, EP Classification in Houston, Texas and to the Manager, EP Compliance Unit in Chicago, Illinois.

If you wish to inquire about this letter ruling, please contact (ID Badge Number ) at ( ) - . Please address all correspondence to SE:T:EP:RA:T:A2.

Sincerely yours,

David M. Ziegler, Manager
Employee Plans Actuarial Group 2

Enclosures
Letter 437, Notice of Intention to Disclose – Rulings
A deleted copy of the ruling

cc:

Manager, EP Classification
Houston, Texas