



BENEFIT NEWS BRIEFS

Society of Actuaries Publishes Mortality Improvement Scale MP-2016

The [Society of Actuaries](#) (SOA) [published a study](#) on October 20th of this year that provides an updated mortality improvement scale called MP-2016. This follows the publication of MP-2015 last year and the original MP-2014 from two years ago. The mortality improvement scale specifies how mortality rates improve by gender and age for each year into the future. It is the intention of the SOA to produce annual updates to the improvement scale.

The SOA is the only professional organization in the United States engaged in actuarial research and education that issues mortality tables and mortality improvement scales for private pension plans. The Treasury Department, which includes the Internal Revenue Service (IRS), has historically relied on the mortality tables and mortality improvement scales issued by the SOA for pension plan funding and other purposes.

MP-2016 adds three years of general population mortality experience from 2012, 2013 and 2014. These three years follow suit with 2010 and 2011, showing much slower mortality improvement than what was experienced in the ten previous years. For the five years ending in 2014, mortality only improved by 0.60% per year for males and 0.42% per year for females. For the ten years ending in 2009 the improvement was much higher at 1.93% per year for males and 1.46% per year for females. The update from the MP-2015 scale to the MP-2016 scale has lowered the life expectancy for a male age 65 by a half of a year from 21.3 years to 20.8 years.

Since mortality improvement is slower than what was expected, many plans' liabilities will show a slight decrease when updating to this scale. The actual decrease for your plan will depend on a number of factors including the age and gender of your plan's participants, as well as the plan's assumed rate of return. Looking ahead, the 2015 general population experience looks to be another year of slow mortality improvement. The first quarter of 2016, however, has lower deaths than the first quarter of 2015 so this slower trend might reverse course in 2016.

While the IRS Code does not require the use of a specific mortality table for multiemployer *funding* purposes, most actuaries for multiemployer defined benefit plans use the mortality tables provided by the SOA because they are specifically designed for use by private pension plans. Such tables are helpful as most plans do not have enough experience to develop their own mortality tables.

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Special thanks to United Actuarial Services' Paul Bullock (Vice-President), ASA, EA, MAAA for his help in writing this article and summarizing the SOA study. Mr. Bullock can be reached at pbullock@unitedactuarial.com.

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