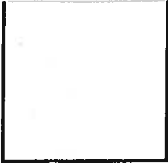
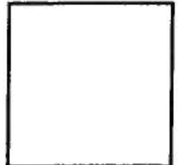
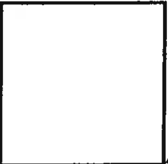


20 Questions: SOA Mortality Table Impact

Some companies are already reporting higher liabilities



Art by JooHee YoonNew mortality tables from the Society of Actuaries (SOA) reveal that participants are living longer, which translates into a longer benefit payout for defined benefit (DB) plan sponsors, according to Michael A. Moran, senior pension strategist at Goldman Sachs Asset Management in New York City.

As a result of the new tables, Moran says, some companies have already reported higher liabilities—ranging from 2% or 3% to 7%, 8% or higher. With these increased liabilities, retirement plan committees need to think about their defined benefit plan's investing glide path, he says. As a plan's funded status falls, due to the new mortality tables, the committee may need to reset triggers for changes in asset allocations.

Using the SOA mortality tables in defined benefit plan calculations is not a requirement, says Moran, noting that larger plans may have broad enough data about their participants to set their own mortality assumptions. "Some companies find the SOA mortality tables do not line up with their participants' experience," he says. Retirement plan committees may need to discuss with plan actuaries whether they want to do their own experience study, or plan actuaries could sign off on not making any adjustments to the current mortality assumptions.

"We have seen the new mortality tables influence some risk-transfer considerations," Moran says. He notes that committees should keep in mind that the SOA tables may be adopted for reporting funded status, but they will not be used for calculating funding obligations or lump-sum payments until the Internal Revenue Service (IRS) adopts them. However, the new tables will increase lump sums, so "retirement plan committees contemplating a lump-sum [payout] may want to do so sooner rather than later," he suggests.