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- [Home](#)
- [About](#)
 - [Specialists](#)
 - [Our Team](#)
 - [Careers](#)
- [Services](#)
 - [401\(k\) Audits](#)
 - [403\(b\) Audits](#)
 - [Pension Plan Audits](#)
 - [Audit Process](#)
 - [CPA Firm Assistance](#)
- [Clients](#)
- [Videos](#)
- [Blog](#)
- [FAQs](#)
- [Contact Us](#)

Select Page

IRS Updates Mortality Improvement Rates & Static Mortality Tables for DB Plans



In Notice 2018-2, IRS has provided updated mortality improvement rates and static mortality tables to be used for defined benefit (DB) pension plans under Code Sec. 430(h)(3)(A) and §303(h)(3)(A)

of the Employee Retirement Income Security Act of 1974 (ERISA), which apply for purposes of calculating the funding target and other items for valuation dates occurring during calendar year 2019. IRS also provided a modified unisex version of the mortality tables for use in determining minimum present value under Code Sec. 417(e)(3) and ERISA §205(g)(3) for distributions with annuity starting dates that occur during stability periods beginning in the 2019 calendar year.

Code Sec. 412 prescribes minimum funding requirements for DB pension plans. Code Sec. 430 specifies the minimum funding requirements that apply generally to DB plans that are not multi-employer plans. Code Sec. 430(a) defines the minimum required contribution by reference to the plan's funding target for the plan year. Under Code Sec. 430(d)(1), a plan's funding target for a plan year generally is the present value of all benefits accrued or earned under the plan as of the first day of that plan year.

Code Sec. 430(h)(3) contains rules on the mortality tables to be used under Code Sec. 430. Under Code Sec. 430(h)(3)(A), except as provided in Code Sec. 430(h)(3)(C) (dealing with substitute mortality tables) or Code Sec. 430(h)(3)(D) (dealing with tables with respect to disabled individuals), IRS is to prescribe by regs mortality tables to be used in determining any present value or making any computation under Code Sec. 430. These tables are to be based on the actual experience of pension plans and projected trends in that experience and must be revised at least every 10 years.

Under Code Sec. 430(h)(3)(C), upon request by a plan sponsor

and approval by the Secretary, substitute mortality tables that meet the applicable requirements may be used in lieu of the standard mortality tables. Code Sec. 430(h)(3)(D) provides for the use of separate mortality tables with respect to certain individuals who are entitled to benefits on account of disability.

Reg. § 1.430(h)(3)-1 revised the mortality tables used under Code Sec. 430(h)(3)(A) for plan years beginning on or after Jan. 1, 2018. Reg. § 1.430(h)(3)-1(a) permits plan sponsors to apply the projection of mortality improvement in either of two ways: through use of static tables that are updated annually to reflect expected improvements in mortality, or through use of generational tables. Under Reg. § 1.430(h)(3)-1(a)(2)(i)(C), for valuation dates occurring in years after 2018, updated mortality improvement rates that take into account new data for mortality improvement trends of the general population, along with static mortality tables that reflect those updated mortality improvement rates, will be provided through guidance published in the Internal Revenue Bulletin.

The mortality tables also apply for purposes of a number of other funding rules, which include: determining a multimember plan's current liability for purposes of applying the full-funding rules of Code Sec. 431(c)(6); determining current liability under Code Sec. 433(c)(7)(C) (relating to the minimum funding standards for CSEC plans); and determining minimum present value requirements under Code Sec. 417(e)(3).

Notice 2018-2 sets out the static mortality tables that apply under Code Sec. 430(h)(3)(A) for valuation dates occurring during 2019. The mortality rates in the tables were developed from the base mortality rates and methodology set forth in Reg. § 1.430(h)(3)-1(c) and Reg. § 1.430(h)(3)-1(d).

Notice 2018-2 also provides the static mortality table that applies under Code Sec. 417(e)(3) for distributions with



annuity starting dates occurring during stability periods beginning in 2019, in the Appendix in the column labeled "Unisex". The mortality rates in this table are derived from the mortality tables specified under Code Sec. 430(h)(3)(A) for 2019 in accordance with the procedures set forth in Rev Rul 2007-67.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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- [Home](#)
- [About](#)
- [Services](#)
- [Careers](#)
- [Clients](#)
- [Videos](#)
- [Blog](#)
- [FAQs](#)
- [Contact Us](#)
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