

2018 mortality option

Last fall we told you about the new IRS mortality regulation in this [Two minute update](#). The rules offer plan sponsors a one-year delay in using these tables for plan funding if use of the new tables would result in more than a de minimis adverse business impact or be administratively impracticable. The mortality table delay also carries through to variable PBGC premiums, AFTAPs, and PBGC reporting measures like ERISA 4010, but not lump sum payments.

You need to tell us how to prepare your 2018 funding and PBGC amounts.

The rules

The regulation puts the burden on the plan sponsor to decide if they qualify for the delay and wish to exercise that option. To qualify for the delay, a plan sponsor must conclude that using the new, often more expensive tables would be administratively impracticable or would result in an adverse business impact that is greater than de minimis. A specific de minimis level is not defined and the IRS has indicated they don't plan to issue any guidance.¹

You need to inform your actuary if you wish to delay using the new tables for one year, and retain the information that supports your decision.

The impact

An increase in liabilities due to the mortality change may increase your

- 2018 annual cost and 2019 quarterly contributions
- variable PBGC premiums (for plans paying premiums that are not at the premium cap)

If the plan is well-funded, there might not be an immediate adverse contribution or premium impact to using the new mortality tables. However, contribution and premium levels may not be the only considerations for determining an adverse business impact. If you have financial covenants (or similar arrangements) that refer to your plan's ERISA funding or PBGC funded status, there may still be an adverse impact.

If the plan is part of a controlled group, it is possible that your decision could affect other members in the group. You may wish to consult with them about your decision.

Action needed

You need to tell us how to prepare your 2018 funding and PBGC amounts. See the next page for your choices.

Note that if you want to opt-out later, additional fees may apply for revising your annual work.

¹ https://www.actuary.org/files/publications/IRS_Notes_10.11.2017.pdf

2018 Mortality Table Election

Plan name: William Grant & Sons Pension Plan
Annuity contract no.: 4-49964

Please mark one box below to direct your plan actuary how to prepare your 2018 funding and PBGC amounts. You may want to discuss these options with your legal counsel.

- ☐ 1. **Delay using the new table**
I have enough information to conclude there would be an adverse business impact or it would be administratively impracticable to use the new tables.
- ☐ 2. **Delay using the new table if there is more than a de minimis adverse business impact**
Do not use the new mortality tables for 2018 if the 2018 annual cost or 2018 variable PBGC premiums increase is more than the de minimis amount indicated below due to the new mortality table.

Plan sponsor to complete:

I consider a combined increase of \$_____ in the 2018 required minimum funding level and 2018 PBGC premiums to be more than de minimis.
(Please enter \$1 if any increase would create a non-de minimis adverse business impact.)

If the increase is less than the above de minimis amount, the new table will be used for 2018.

- ☐ 3. **I would like more information**
I would like to see a customized analysis of the effect before I make my decision. I understand that the fee would be \$1,000 for a short report of the estimated results. This option has the potential to delay delivery of my 2018 valuation report.
- ☐ 4. **Use the new mortality tables for 2018**
I don't want to delay.

Plan sponsor/administrator name: William Grant & Sons

Signature: _____

Signature date: _____

If I reply by email, the email acts as my signature.

This document is intended to be educational in nature and is not intended to be taken as a recommendation.

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