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# Pension plan accounting: updated mortality information

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## Aida Ramirez

Partner Head of Audit  
Kevane Grant Thornton  
T (1) 787 754 1915  
E [aida.ramirez@pr.gt.com](mailto:aida.ramirez@pr.gt.com)

In October, the Society of Actuaries (SOA) [published](#) an updated mortality improvement scale for pension plans called Scale MP-2017, which updates MP-2016 to incorporate mortality data released by the Social Security Administration through 2013. MP-2017 also incorporates 2014 and preliminary 2015 mortality data from the Centers for Disease Control, Centers for Medicare and Medicaid Services, and the U.S. Census Bureau.

The updated improvement scale reflects a slight decline in life expectancy. Based on preliminary estimates, the SOA therefore expects that incorporating the MP-2017 scale, and using a 4 percent discount rate, might reduce a pension plan's liabilities by 0.7 percent to 1.0 percent, depending on the plan's specific characteristics.

To measure a defined benefit plan's costs and obligations under U.S. GAAP, a sponsor must use assumptions that reflect its best estimate of the plan's future experience. Although sponsors are not required to use SOA information to develop mortality assumptions, many sponsors do. Those sponsors should consider the updated improvement scale when preparing their financial statements.

Plan sponsors should be aware of the requirements to disclose information about changing their approach for measuring components of net periodic benefit cost in the notes to their financial statements and, if applicable, in Management's Discussion and Analysis.

Source:

Grant Thornton, On the Horizon, November 2, 2017.

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