



ACTUARIAL CONSULTANTS, INC.

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FUNDING RELIEF FOR DEFINED BENEFIT PLAN SPONSORS

On Friday June 25, 2010, President Obama signed the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 (H.R. 3692). This Act gives plan sponsors of defined benefit plans new options for required annual contributions, giving some much needed relief to cash strapped employers hit by the economic downturn.

Under the **Pension Protection Act of 2006 (PPA)** the difference between the value of benefits earned by participants and the assets in the plan is called the shortfall amortization base. Contributions must be made to the plan to make up this shortfall over a 7 year period.

Single-employer plans are given 2 new amortization options under H.R. 3692 for the shortfall amortization base amount recognized under the ERISA and IRS Code. The "2 Year Plus 7 Year" option gives plans sponsors 2 years of **interest-only payments** plus an additional 7 years for the remaining balance. The "15 Year" option gives employers 15 years vs. 7 years for payment of the shortfall amortization amount.

This relief is available for any plan year for which the minimum funding deadline has not yet been met (8 ½ months following the end of the plan year). So this relief would apply for plan years ending on or after October 31, 2009 and is available through plan years ending in 2011. . If employers choose to apply for 2 plan years they must elect the same type of extension for both years.

Multiemployer plans are given minimum funding requirements determined on a ledger. Under the Act the amortization level may be increased from 15 years to 30 years.

The Act has also extended the Worker, Retiree and Employer Recovery Act of 2008 allowing the funded status determined for 2008 to apply for 2009 and 2010 keeping plans from being frozen if they fall under 60% funded during those years.

Although the new Act does not release employers from their contribution requirements to the plan, it does allow them to free up more cash which may be used for other business expenses.

Contact your ACI Consultant or Administrator for more information and how these changes could be of benefit to your current plan by lowering your minimum required contribution.