

Senate's Infrastructure Deal Further Extends Pension Funding Relief

- ▲ The Infrastructure Investment and Jobs Act (H.R. 3684, as amended) passed by the Senate in August retains an even tighter corridor than provided by the American Rescue Plan Act (ARPA), and further extends the timeframe from 2030 to 2035 when the stabilization corridor is fully phased out.
- ▲ Surveys show ARPA was welcome news and provided much needed funding relief for many employers, especially those that have need for cash in other parts of their business.
- ▲ Funding relief provided this year may lead many defined benefit plan sponsors to revisit their funding strategies.

| Calendar Year | American Rescue Plan Act (ARPA) of 2021 | | Infrastructure Investment and Jobs Act | |
|-----------------------|---|-------------------------------|--|-------------------------------|
| | Applicable Minimum Percentage | Applicable Maximum Percentage | Applicable Minimum Percentage | Applicable Maximum Percentage |
| Plan year starting in | | | | |
| 2012 – 2019 | 90% | 110% | 90% | 110% |
| 2020 - 2025 | 95% | 105% | 95% | 105% |
| 2026 | 90% | 110% | 95% | 105% |
| 2027 | 85% | 115% | 95% | 105% |
| 2028 | 80% | 120% | 95% | 105% |
| 2029 | 75% | 125% | 95% | 105% |
| 2030 | 70% | 130% | 95% | 105% |
| 2031 | 70% | 130% | 90% | 110% |
| 2032 | 70% | 130% | 85% | 115% |
| 2033 | 70% | 130% | 80% | 120% |
| 2034 | 70% | 130% | 75% | 125% |
| 2035+ | 70% | 130% | 70% | 130% |

BACKGROUND

- ▲ Single-employer pension liabilities for minimum funding are determined using “segment rates.” There are three segment rates, each representing a different portion along the yield curve. Segment rates are based on a 24-month average of corporate bond rates for the relevant period.
- ▲ Following the financial crisis, legislation has constrained the 24-month segment rates to a “corridor” around the 25-year average of rates, to “stabilize rates”.
- ▲ This “corridor” does not apply to the segment rates used when calculating a plan’s maximum tax-deductible limit, lump sum benefits or PBGC premiums.

* Sources: ASPPA articles, “What’s in the Senate’s Infrastructure Bill?” and “Pension Smoothing Extension Included in Infrastructure Deal”

