

Benefits Alert

NOVEMBER 15, 2021

The Infrastructure Investment and Jobs Act (IIJA) extends IRS pension plan interest rate relief to 2030 and automatically extends certain compliance date deadlines for federally declared disasters.

H.R. 3684, the Infrastructure Investment and Jobs Act (IIJA), was enacted into law on November 15, 2021. The new law affects single employer defined benefit pension plans by amending one of the provisions in the American Rescue Plan Act of 2021 (ARPA). Specifically, IIJA extends pension funding stabilization relief for five more years to 2030 (details below).

As well, in the circumstance of an employer with operations in a federally declared disaster area, IIJA automatically and immediately extends for 60 days the deadline on which to file common employer benefit plan compliance forms, such as the annual Form 5500.

PENSION FUNDING STABILIZATION

Actuarial funding liabilities under IRC §430 and §436 are prescribed to be valued using “three-segment” yield curve interest rates. ARPA changed the year interest rates will artificially be set (based on a 25-year arithmetic average of prior interest rates) to no less than 95% of the actual average, and no higher than 105% of the actual average. Due to the enactment of IIJA, this 95%-105% corridor operates for plan years starting in 2020 through 2030, instead of 2020 through 2025 under ARPA (see the table at the end of this *Benefits Alert*). There are no other changes to the minimum funding requirements in the Internal Revenue Code (IRC). The effective date is for plan years starting after December 31, 2021.

AUTOMATIC EXTENSION OF COMPLIANCE FILING DEADLINES FOR TAXPAYERS AFFECTED BY FEDERALLY DECLARED DISASTERS

The IIJA also immediately makes changes to the IRS rules that automatically extend deadlines for 60 days for federally declared disasters for “certain taxpayers”, i.e., employers, as well as individuals. Focusing on employers, if the taxpayer has operations in a location that is declared as a federal disaster area, regular deadlines codified in IRS filing instructions (such as for Forms 5500 and others) are granted relief for filing those forms for no more than 60 days after the later of: (a) the earliest incident date specified in the declaration; or (b) the date the disaster declaration was issued. This recital of what constitutes 60 days was included since June 2021 final IRS regulations were interpreted to mean that if there was no federal disaster incident date identified, there would be no 60-day mandatory postponement period. Note that this new disaster relief law revises the definition of federally declared disaster to add “significant fires” under the *Stafford Disaster Relief and Emergency Assistance Act* of 1988.

Individuals will also be granted relief for their personal tax filings. For example, rollovers from one qualified retirement plan to another (such as from one IRA to a different IRA) can use the relief. Repayment of qualified plan loans are another example.

For additional details on the changes to your qualified retirement plans, please contact your Milliman Employee Benefits consultant. Note that some changes codified in the IIJA are likely to affect employer health insurance plans. You can contact your Milliman employer health insurance consultant for those details.

The IJA inserts this table in IRC Section 430 as the applicable minimum and maximum percentages for a plan year beginning in a calendar year:

If the calendar year is:	The applicable minimum percentage is:	The applicable maximum percentage is:
Any year in the period starting in 2012 and ending in 2019	90%	110%
Any year in the period starting in 2020 and ending in 2030	95%	105%
2031	90%	110%
2032	85%	115%
2033	80%	120%
2034	75%	125%
After 2034	70%	130%



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