

Benefits Alert

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Single employer defined benefit pension plan relief introduced in H.R. 409 and H.R. 423 bills: The Emergency Pension Plan Relief Act of 2021

The first step for the 117th Congress in enacting relief for defined benefit (DB) pension plans from the catastrophic consequences of the global pandemic is included in The Emergency Pension Plan Relief Act of 2021 (EPPRA). Companion bills [H.R. 409](#) (Ways and Means Committee) and [H.R. 423](#) (Education and Labor Committee) are almost identical and call for statutory relief for single employer and multiemployer defined benefit pension plans by amending their respective parts of the tax code.

This Benefits Alert briefly summarizes Title II of the bills for single employer DB plans. A separate Milliman Multiemployer Alert addresses Title I of the bill. Both titles are similar to the Health and Economic Recovery Omnibus Emergency Solutions ([HEROES](#)) Act of the 116th Congress, which was not enacted.

Lawmakers in the 116th Congress concerned about the catastrophic effects on the tax code funding requirement of single employer defined benefit pension plans introduced legislation in the HEROES Act that would have reduced cash contribution under Internal Revenue Service (IRS) funding requirements. While most of the single employer proposal was not adopted, there was some relief enacted in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which permitted required contributions to be deferred as late as January 4, 2021.

As the 117th Congress is now in session, two companion bills in the House have been reintroduced for the single employer relief provision that was omitted in all enacted employee benefit legislation in 2020.

The two main provisions of the bills are: “segment rate stabilization” and amortization of the pension plan’s deficit over 15 years, instead of seven years.

Segment rate stabilization refers to changes to the interest rates used to calculate actuarial liabilities. The past few years of historically low rates have resulted in much higher actuarial liabilities, even though the rates are based on 25-year averages of high-quality corporate debt. (We choose not to generalize about the increase because DB plans have unique benefit formulas and demographics.) This part of EPPRA amends the technical calculation so applicable rates for plan funding calculations for plan years beginning in 2020 through 2025 will be no lower than 4.75%. Without the relief, these rates could be as low as about 2.00%.

The second provision of EPPRA would reset amortization of the plan's funding deficit (funding liabilities in excess of the plan assets) to 15 years, rather than current law of seven years. In effect the plan sponsor's relief is equivalent to more than doubling the time in which the pension deficit can be paid off. To be sure, the calculations are more complex in future years but, for this Benefits Alert, those consequences are left to a more robust analysis.

The effective date of this relief is for plan years starting after December 31, 2019. Some plan sponsors may choose to recast their funding requirements for the 2020 plan year, for which the final minimum contributions can be made as late as September 15, 2021 for calendar year plans.

As of the date of this Benefits Alert, January 22, 2021, there have been no votes in either House committee and we are not aware of the date on which any vote could be made. Also, there are no companion bills in the Senate of which we are aware.

For information on this please contact your Milliman consultant.



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