

2010 Pension Relief Act

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On June 25, 2010, President Obama signed the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010. This new law allows a sponsor of a single-employer defined benefit pension plan to elect in any two plan years from 2008 to 2011 extended amortization periods of that plan year's losses. For most plans, the 2008 plan year relief is not available since the due date of the contribution has already passed.

This summary is meant to explain only those provisions pertaining to the minimum contribution requirements for single employer defined benefit pension plans and not all aspects of the law.

Electing to lengthen the amortization schedule for a given plan year reduces that plan year's minimum contribution requirement. By making this election, plan sponsors may only be deferring but not reducing the total costs of the plan. A plan sponsor will need to consider the company's current and future financial situation when deciding if electing the relief is appropriate.

Plan Sponsors may elect to take funding relief under two methods:

1. Pay only interest for the first 2 years and then amortize the remaining loss from a plan year over 7 years.
2. Amortize the loss from a plan year over 15 years.

Other important items plan sponsors need to know about the new law:

- Relief may only be elected for two plan years and the same election must be made in both years.
- Participants must be notified if relief is elected.
- The Pension Benefit Guaranty Corporation (PBGC) must be notified if relief is elected.
- If the plan sponsor provides compensation to any employee of over \$1,000,000 or pays extraordinary dividends or stock redemptions, additional plan contributions will be needed in order to make the election.

As we begin to digest the new legislation, it is evident that each plan will be impacted in its own unique way. **Conrad Siegel Actuaries** is prepared to work with each plan sponsor and provide individualized assistance for each plan's unique situation.



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