# The latest on pension funding relief:
## The Butch Lewis Emergency Pension Plan Relief Act of 2021

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On February 8, 2021, the House Committee on Ways & Means released important legislation that will affect single employer corporate pension plans if it becomes law. It's important to note that these proposed changes are retroactive to the 2020 plan year (and the option to elect one provision retroactively to the 2019 plan year). The proposed Bill contains provisions which provide pension plan funding relief for both multi-employer and single-employer plan sponsors.

### The highlights of the single-employer plan changes:

- **Proposal:** Current law requires a 7-year amortization of any unfunded liability from year-to-year. The proposal increases the amortization period from 7-years to 15-years and requires a "fresh start" meaning all prior year amortizations are reduced to zero. Note that this change begins with the 2020 plan year and can be elected for the 2019 plan year. **Impact:** For most plan sponsors, this will reduce the minimum required contribution and reduce the future volatility of contributions.

- **Proposal:** Current law provides for a certain level of interest rate smoothing in relation to the 25-year average corporate bond rates. The proposal resets and significantly extends the interest rate smoothing (see table).

  In addition, the 25-year average rates would have a floor of 5% beginning with the 2020 plan year. **Impact:** This proposed change can significantly reduce the minimum required contributions in the near term. It will also help to smooth future contributions.

| Plan year | Current law interest rate corridor | Proposal |
|---|---|---|
| 2020 | 90%-110% | 95%-105% |
| 2021 | 85%-115% | 95%-105% |
| 2022 | 80%-120% | 95%-105% |
| 2023 | 75%-125% | 95%-105% |
| 2024 | 70%-130% | 95%-105% |
| 2025 | 70%-130% | 95%-105% |
| 2026 | 70%-130% | 90%-110% |
| 2027 | 70%-130% | 85%-115% |
| 2028 | 70%-130% | 80%-120% |
| 2029 | 70%-130% | 75%-125% |
| Effective 2030 | 70%-130% | 70%-130% |

- **Proposal:** Current law provides for an inflationary increase to IRC Section 401(a)(17) and 415 limitations (respectively, the compensation limit and benefit limit). The proposal allows for inflationary increases to plan year 2030 and no future increase thereafter. **Impact:** This can reduce benefits for certain highly compensated and long-term employees in plans that have continued accruals. There could also be a decrease in accounting liabilities for purposes of financial statement reporting.

These proposed changes provide a basis for discussion in the House and the Senate at a time when some form of a COVID relief package is thought to be of critical importance. **Impact:** These proposed changes would raise revenues for the Federal Government that they can choose to spend elsewhere. Read the complete **Bill summary.**

If you have any questions or would like more information, please contact your H&H consultant or:

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