



TaxNewsFlash

United States



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Notice 2021-48: Guidance on single-employer defined benefit pension plan funding changes

The IRS released an advance version of [Notice 2021-48](#) [PDF 198 KB] as guidance concerning changes to the funding rules for single-employer defined benefit pension plans under section 430—as amended by provisions of the “American Rescue Plan Act of 2021” (Pub. L. No. 117-2, March 11, 2021)—and also concerning application of the funding-based limits on benefits under section 436.

Background

The “American Rescue Plan Act of 2021” provided a variety of provisions related to pension plans and specifically regarding actuarial calculations for single-employer plans. In particular, measures in the legislation addressing single-employer pension plans:

- Extend the shortfall amortization to 15 years (extended from seven years)
- Extend the pension funding stabilization percentages

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Notice 2021-48

Notice 2021-48 sets how a plan sponsor makes an election under section 430(c)(8) to have the first plan year for which 15-year amortization of shortfall amortization bases will apply to a plan year that starts before January 1, 2022. In general, the election is made by the plan sponsor by providing written notification of this election to both the plan's enrolled actuary and the plan administrator.

The IRS notice also provides that if a plan sponsor is applying the legislative measures for a plan year beginning in 2019, 2020 or 2021, the plan sponsor may make an election to increase the prefunding balance by an amount no greater than the amount of the increase in excess contributions for the plan year resulting from the legislative amendments. Any election to add to the prefunding balance for a plan year generally must be made by 8½ months after the end of plan year. An election will be deemed timely if it is made by December 31, 2021.

Notice 2021-48 also provides guidance how to revoke an election to use a prefunding balance or funding standard carryover balance to offset the minimum required contribution for a plan year that begins in 2019 or 2020.

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