

AMERICAN RESCUE PLAN ACT OF 2021 GUIDANCE

The American Rescue Plan Act of 2021 (ARPA) brought about two major changes for minimum funding requirements for single-employer plans: interest rate relief to lower IRS liabilities and an extension on amortizing the funding shortfall. Recently, the IRS released Notice 2021-48 clarifying how to implement the changes from ARPA. Overall, the Notice provides generally favorable positions for plan sponsors to provide flexibility with their pension plan funding. Here are some of the highlights of the IRS guidance:

Elections

- Given the inconsistent default dates between the two major provisions of ARPA, *virtually every Plan Sponsor will need to make written elections by the end of the 2021 plan year.*
- Plan Sponsors may make deemed elections for certain purposes by filing Form 5500 Schedule SB reflecting the relief for an applicable plan year.

Interaction with Coronavirus Aid, Relief, and Economic Security (CARES) Act

- ARPA interest rates don't apply for determining 2019 discounted contributions delayed as late as Jan 4, 2021.
- For 2020 quarterly contributions, if a plan sponsor is using the safe harbor method the Notice does not provide any interest rate relief for delayed 2020 quarterly contributions to a later date. This will result in slightly higher final contributions for the 2020 plan year for affected plans.

Credit Balance Elections and Contributions

- If a plan sponsor is applying ARPA for a plan year beginning in 2019, 2020 or 2021, the plan sponsor may make an election to increase the prefunding balance or revoke a previous credit balance election *by December 31, 2021.*
- A plan sponsor may redesignate a 2019 or 2020 plan year contribution as a contribution for the immediate succeeding plan year to the extent it will not result in an unpaid minimum required contribution.

- Redesignation of a contribution is only available if the original designation of a contribution was made on a Schedule SB filed on or *before October 15, 2021.*

Adjusted funding target attainment percentage (AFTAP) Certifications

- If the Plan's AFTAP changes for the 2020 plan year due to ARPA elections, the change will be deemed immaterial if the sponsor *obtains a revised AFTAP certification by December 31, 2021.*
- A plan sponsor may apply the changes prospectively or retroactively; however, retroactive application can trigger unwanted side-effects. *Sponsors should be careful about any retroactive application.*
- Plan sponsors may revoke a prior election to use a pre-2020 AFTAP provided under the CARES Act.
- A contribution designated as a special contribution to avoid benefit restrictions can be recharacterized as an employer contribution to satisfy funding requirements.

Reporting changes for the 2019 Plan Year

- No need to file an amended 2019 Form 5500 unless a 2019 plan year contribution is being redesignated as a 2020 plan year contribution.
- The 2020 Schedule SB should reflect the changes to the 2019 minimum required contribution.
- Plan Sponsors may file an amended Form 5330 to get a refund on excise tax paid for eliminating an unpaid MRC.

USI Consulting Group (USICG) actuaries and consultants are available to discuss how to take advantage of the ARPA relief and IRS guidance, in order to maximize cash flexibility and lower Pension Benefit Guaranty Corporation (PBGC) Premiums. Contact your local USICG representative, email us at information@usicg.com or visit us at usicg.com.

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