

Technical Update 12-2: Effect of MAP-21 on 4010 Reporting

September 11, 2012

This Technical Update 12-2 provides PBGC guidance on the effect of the Moving Ahead for Progress in the 21st Century Act (MAP-21) on annual financial and actuarial reporting under section 4010 of ERISA and part 4010 of PBGC's regulations.¹ This Technical Update supersedes any inconsistent guidance in PBGC's 4010 filing instructions.

Effective beginning in 2012, section 40211 of MAP-21 establishes stabilization rules that limit the volatility of certain discount rates used for funding purposes by constraining them within a corridor.

Stabilization disregarded for certain 4010 purposes

Section 40211(b)(3)(D) of MAP-21 amended ERISA section 4010 by adding paragraph (d)(3) to provide that the stabilization rules do not apply for purposes of determining the funding target or funding target attainment percentage (FTAP) required to be reported under ERISA section 4010(d).

ERISA section 4010(b)(1) provides that 4010 reporting is required if any plan sponsored by a member of the controlled group has a FTAP, "as determined as defined in subsection (d)," below 80 percent (80% Gateway Test). Because section 4010(d), as amended by MAP-21, requires that the FTAP be determined without regard to the MAP-21 stabilization rules, the FTAP used for the 80% Gateway Test is also determined without regard to such rules.²

IRS Notice 2012-61 provides guidance on how to determine certain amounts in situations in which the stabilization rules do not apply (e.g., the FTAP for 4010 purposes). In addition to providing guidance on how to determine the liability underlying the calculation of the FTAP without regard to the stabilization rules, Q&A NA-3 of the IRS notice describes how to determine the value of plan assets underlying such calculation. Under that guidance, the asset value used to determine the FTAP for purposes of the 80% Gateway Test may differ from the asset value used for minimum funding purposes.³

However, to reduce the administrative burden of determining whether a 4010 filing is required, reporting is waived for a person for an information year if —

- Reporting is not required under ERISA sections 4010(b)(2) or (b)(3)⁴ for the person for that information year; and
- The FTAP (for the plan year ending within that information year) of each plan maintained by the person's controlled group, determined without regard to the MAP-21 stabilization rules, would be at least 80 percent if the value of plan assets used for minimum funding purposes were substituted for the value described in Q&A NA-3 of IRS Notice 2012-61.

Stabilization not disregarded for all other 4010 purposes

For all other 4010 requirements involving minimum funding-related determinations affected by the MAP-21 stabilization rules, ERISA section 4010(d)(3) does not apply. Thus, filers are to make such determinations using the same assumptions used for minimum funding or benefit restrictions purposes (as applicable), *i.e.*, to the extent the MAP-21 stabilization rules are used for those purposes, they are also to be used for these 4010 purposes:

- **4010 funding shortfall.** Section 4010.11(c) of PBGC's regulations defines the 4010 funding shortfall as the excess, if any, of the funding target over the actuarial value of assets. Under §4010.11(a), reporting triggered by having an FTAP below 80 percent is waived if the aggregate 4010 funding shortfall for the controlled group does not exceed \$15 million. In addition, under § 4010.8(c), a plan is exempt from reporting actuarial information if, among other criteria, it has a 4010 funding shortfall that does not exceed \$15 million. For these purposes, the 4010 funding shortfall is to be determined using the same assumptions and asset value used for minimum funding purposes.
- **Certain actuarial information requirements.** Section 4010.8 of PBGC's regulations provides a list of actuarial information required to be reported. ERISA section 4010(d)(3) does not apply to those items that are solely a product of PBGC regulation, such as the requirement in §4010.8(a)(11) to provide actuarial valuation report information including funding target, target normal cost, amortization bases, etc. Thus, the data to be reported under §4010.8(a)(11) are the amounts used to determine the minimum funding requirement for the plan year ending within the information year, regardless of whether such amounts were determined using stabilized discount rates. Similarly, the plan's Adjusted Funding Target Attainment Percentage (AFTAP) required to be reported under §4010.8(a)(7) is the AFTAP used to determine whether benefit restrictions applied for the plan year ending within the information year, regardless of whether stabilized discount rates were used to determine such percentage.

PBGC Contact

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¹ See **4010 Reporting** on PBGC's website.

² Thus, the FTAP used for purposes of the 80% Gateway Test might not be the same as the FTAP reported on line 14 of the Schedule SB of Form 5500.

³ The FTAP, which is defined in ERISA 303, applies to certain Code and Title I requirements as well as to ERISA section 4010.

⁴ ERISA section 4010(b)(2) deals with the requirement to report based on the existence of a statutory lien resulting from missed required contributions of over one million dollars. ERISA section (b)(3) deals with the requirement to report based on outstanding funding waivers exceeding the same amount. See § 4010.4(a)(2) and (a)(3) of PBGC's regulations.