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Single-employer plans not forgotten in new law

$86 billion from stimulus funds heading to multiemployer plans

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Photo: James Kegley

Dennis Simmons cited pension funding relief in the law as 'very welcome.'

While multiemployer pension provisions in the American Rescue Plan Act of 2021 got more attention, relief for single-employer plans will be more significant and long-lasting, sponsor advocates say.

The ambitious $1.9 trillion COVID-19 relief package signed by President Joe Biden March 11 has several goals to help the country recover from the pandemic, from ramping up vaccinations to helping people impacted by the economic fallout. Those measures are also expected to give the U.S. economy a much-needed boost.

The Democratic majority in Congress, moving the package largely without Republican support, also helped struggling multiemployer pension funds. After a multiyear effort to enact structural reforms fell short, now the most at-risk plans have $86 billion in federal assistance grants to pay benefits, if they can show the grants will help them survive for 30 years.

For single-employer pension plans, the pension funding relief in the American Rescue Plan grabbed few if any headlines, but "is very welcome," said Dennis Simmons, executive director for the Committee on Investment of Employee Benefit Assets in Washington, whose 111 members are asset owners with more than $2 trillion of defined benefit and defined contribution plan assets.

Benefits come from two welcome pieces of the new law. One permanently extends the amortization period for calculating unfunded liabilities to 15 years instead of the seven years that were one of the core remaining features of 2006's Pension Protection Act. Plan sponsors can even go back as far as 2019 with the longer amortization periods.

Another provision extends smoothing rules for interest rates used to calculate pension liabilities that would have started phasing out this year. The new rules can now be used beginning in 2022.

Extending and enhancing interest rate smoothing to avoid creating inflated plan funding obligations is a critical change in a low-interest-rate environment now facing plan sponsors, particularly those impacted by the pandemic, sponsor advocates said.

"It is something that our members have been talking to policymakers about for quite a while. It's more stabilization, flexibility and predictability," Mr. Simmons said.