

Fact Sheet



U.S. Department of Labor
Employee Benefits Security Administration
November 18, 2010

Annual Funding Notice for Defined Benefit Plans

The Department of Labor's Employee Benefits Security Administration (EBSA) today released a proposed rule to enhance retirement security and increase pension plan transparency by ensuring that workers receive annual notification of the funded status of their defined benefit pension plans.

Background

- EBSA is responsible for administering and enforcing the fiduciary, reporting, and disclosure provisions of Title I of the Employee Retirement Income Security Act (ERISA).
- Approximately 29,500 defined benefit pension plans are subject to the proposed rule. An estimated 43.9 million participants and beneficiaries are covered by these plans.
- Prior to the Pension Protection Act of 2006 (PPA), only multiemployer plans were required to provide annual funding notices under section 101(f) of ERISA.
- The PPA made significant changes to section 101(f) of ERISA by enhancing the content of the notice and extending the requirement to provide notice to single-employer plans.
- In February 2009, EBSA issued Field Assistance Bulletin 2009-01 to provide interim guidance until final regulations are published.

Overview of Proposed Rule

The proposal requires administrators of all defined benefit plans subject to Title IV of ERISA to furnish a funding notice each year. The recipients are the Pension Benefit Guaranty Corporation (PBGC), each plan participant and beneficiary, each labor organization representing such participants or beneficiaries, and, in the case of a multiemployer plan, each employer that has an obligation to contribute to the plan.

Content Requirements

Content requirements include:

Funding Percentage

Annual notices must include the plan's funding percentage. Single-employer plans must report their "funding target attainment percentage" and multiemployer plans must report their "funded percentage." The funding percentage of a plan is a measure of how well the plan is

funded on a particular date. In general, the higher the percentage, the better funded the plan. The funding percentage must be reported for the past three plan years.

Assets and Liabilities

Annual notices must include information regarding the plan's assets and liabilities. For example, notices must include a statement of the value of the plan's assets and liabilities on the same date used to determine the plan's funding percentage. Notices also must include a description of how the plan's assets are invested as of the last day of the plan year and a statement of the plan's funding policy.

PBGC Guarantees and other Title IV Information

Annual notices must include a general description of the benefits under the plan that are eligible to be guaranteed by the PBGC, along with an explanation of the limitations on the guarantee and the circumstances under which such limitations apply. Single-employer plan notices must include a summary of the rules governing plan termination and multiemployer plan notices must include a summary of the rules governing reorganization or insolvency.

Timing

Funding notices generally must be furnished no later than 120 days after the close of the plan year. Plans with 100 or fewer participants may furnish funding notices no later than the filing of the plan's annual report, including filing extensions.

Model Notices

The proposal includes two model notices (one for single-employer plans and one for multiemployer plans) to aid plan administrators in meeting their obligations. Pending the adoption of a final rule, a plan administrator may, as a matter of Department enforcement policy, use these models or the models contained in Field Assistance Bulletin 2009-01 to satisfy the content requirements in section 101(f).

Public Notice and Comment on the Proposed Rule

The proposed regulation was published in the Federal Register on November 18, 2010. The proposal invites public comments from interested persons. Comments are due no later than January 18, 2011. Public comments can be submitted electronically by e-mail to e-ORI@dol.gov or by using the e-Rulemaking portal at www.regulations.gov. All comments will be made available to the public, without charge, online at www.regulations.gov and www.dol.gov/ebsa and at the EBSA Public Disclosure Room, N-1513, Employee Benefits Security Administration, 200 Constitution Avenue N.W., Washington, D.C. 20210. Comments should not include any personally identifiable information (such as name, address, or other contact information) or confidential business information that you do not want publicly disclosed. Comments posted on the Internet can be retrieved by most Internet search engines. Comments may be submitted anonymously.