Department of the Treasury
Internal Revenue Service

Notice 1391

(October 2009)

Changes for the 2008 Instructions for Schedule SB (Form 5500):

New instructions are added for lines **2b, 6, 15, 21b, 25, 32a,** and **38.**

Changes are made to the 2008 Instructions for Schedule SB (Form 5500), Single-Employer Defined Benefit Plan Actuarial Information, filed with the Form 5500, Annual Return/Report of Employee Benefit Plan, to reflect changes made to sections 430 and 436 under the Worker, Retiree, and Employer Recovery Act of 2008, P.L. 110-458 (WRERA), and to clarify the instructions for certain line numbers.

Plan sponsors who timely filed a completed and signed 2008 Schedule SB by the date that is 30 days after these supplemental instructions were issued will not have to file a revised 2008 Schedule SB if the entries were completed using the instructions originally published. Similarly, if Schedule SB is required to be prepared but not filed for a given plan, plan sponsors who timely obtain a completed and signed 2008 Schedule SB within 30 days after these supplemental instructions were issued will not have to obtain a revised 2008 Schedule SB if the entries were completed using the instructions originally published.

Line 2b. Actuarial Value of Assets. Under Code section 430(g)(3)(B) and ERISA section 303(g)(3)(B), the use of averaging methods in determining the value of plan assets is permitted only in accordance with methods prescribed in Treasury regulations. Accordingly, for plan years beginning in 2008, taxpayers cannot use asset valuation methods other than fair market value (as described in Code section 430(g)(3)(A) and ERISA section 303(g)(3)(A)), except as provided under Treasury regulations. For plan years beginning in 2008, plan sponsors may use either the averaging method set forth in section 1.430(g)-1(c)(2) of the proposed Treasury regulations or the method set forth in Notice 2009-22, 2009-14, I.R.B. 741.

Line 6. Target Normal Cost. Section 101 of the Worker, Retiree, and Employer Recovery Act of 2008 (“WRERA”) provides that the target normal cost is increased by the amount of any plan-related expenses expected to be paid from plan assets during the plan year, and decreased (but not below zero) by any mandatory employee contributions expected to be made during the plan year. This provision is generally effective for plan years beginning in 2009; however, the plan sponsor may elect to apply these adjustments for the plan year beginning in 2008. If the plan sponsor has made such an election, report the target normal cost on line 6 reflecting these adjustments.

Line 15. Adjusted Funding Target Attainment Percentage. Report the final certified adjusted funding target attainment percentage (AFTAP) for the plan year, reflecting any adjustments pertaining to the plan year subsequent to the valuation. The AFTAP reported on line 15 must reflect the final certified AFTAP for the current plan year, even if the plan administrator elects to apply the limitation on benefit accruals under Code section 436(e) and ERISA section 206(g)(4) based on the AFTAP for the prior plan year as permitted under section 203 of WRERA for plan years beginning on or after October 1, 2008, and before September 30, 2009.

For plans with valuation dates other than the first day of the plan year, report the AFTAP that is the final certified AFTAP based on the valuation results for the 2008 plan year at the time that the Schedule SB is filed (reflecting contributions for the 2008 plan year and to reflect other adjustments as described in applicable guidance), even if that AFTAP is not used to apply the restrictions under Code section 436 and ERISA section 206(g) until the 2009 plan year.

Line 21b. The IRS has indicated that it will not challenge the use of the monthly yield curve based on interest rates published by the IRS for the month including the valuation date or any one of the immediately preceding four months, for plan years beginning in 2008 and 2009. Accordingly, whether the interest rates used to measure the funding target are based on segment interest rates or the full yield curve, enter the applicable month to indicate which rates were used to determine the funding target

Line 25. Change in Funding Method. Because 2008 is the first year that the Pension Protection Act (PPA) can apply to a plan to determine the minimum required contribution, most plans will have a change in funding method to reflect the provisions of the new law. If this is the case, check “Yes,” but do not include an attachment.

If the plan has a delayed effective date for the application of PPA to determine the minimum required contribution, and there has been a change in funding method check “Yes,” but include an attachment. The attachment should describe the change, including the method (for example, ruling letter) by which approval was obtained for the change in method. Label the attachment ***“Schedule SB, line 25 — Changes in Method for Non-PPA Plan.”***

Line 32a. Shortfall Amortization Bases and Amortization Installments. Section 202 of WRERA changed the amount of the shortfall amortization base for plans that were in existence in 2007 and were not subject to Code section 412(l) or ERISA section 302(d) for the last plan year beginning prior to 2008. For plans meeting this description which are not exempt from the requirement to establish a new shortfall amortization base, the amount of the shortfall is equal to 92% of the funding target reported in line 3d, column (2), minus the adjusted value of assets, but not less than zero. The adjusted assets are as described in the instructions for line 32a of the 2008 Schedule SB.

Line 38. Interest-Adjusted Excess Contributions for Current Year. Report the interest-adjusted excess contributions as of the valuation date. This amount (with interest, if applicable) is the maximum amount by which the employer may elect to increase the prefunding balance. Do not enter a negative number.

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