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Buck Comments on Proposed Guidance on the Measurement of Assets and Liabilities for Pension Funding Purposes

Buck submitted comments to the IRS on its proposed regulations providing guidance on the measurement of assets and liabilities under the Pension Protection Act of 2006 for purposes of funding single-employer defined benefit pension plans. Our comments may be accessed here.

Background

The Pension Protection Act of 2006 (PPA) added Section 430 to the Internal Revenue Code, which provides the minimum funding requirements for single-employer defined benefit pension plans. These requirements, which are generally effective for 2008 plan years, are significantly different from the pre-PPA requirements.

The IRS has issued proposed regulations on these PPA changes and requested comments. (See our January 11, 2008 *For Your Information*.)

Highlights of Buck's Comments

Buck's comments can be summarized as follows:

- Asset smoothing, as permitted under pre-PPA rules, should continue to be permitted.
- Several clarifications are necessary regarding the determination of funding amounts for at risk plans.
- Liabilities attributable to mid-year plan amendments should be reflected in a plan's funding target, not target normal cost.
- The determination of the effective interest rate for a plan with no funding target should be based on its target normal cost.

Conclusion

Buck's consultants are available to discuss possible funding and contribution strategies for your defined benefit plans.
