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Torrillo & Associates

Benefit Plan Audit Specialists

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Highway and Transportation Funding Act of 2014 To Expand Pension Funding Relief

Congress has passed, and the President is expected to sign, the [Highway and Transportation Funding Act of 2014](#) (the Act). Included in the Act is a revenue-raising provision which expands the use of 25-year smoothing for pension plan funding purposes. The Act should provide some funding relief to many defined benefit plans, although special rules apply for plans

in bankruptcy. Plan sponsors should check with their actuaries and ERISA attorneys to determine the impact to their pension plans.

More specifically, the Act extends the use the 90% applicable minimum percentage and 110% applicable maximum percentage to calendar plan years 2012 through 2017, as opposed to just the 2012 calendar plan year. Further, the reduction in minimum percentages and increase in maximum percentages takes place over the years 2018 to 2021, as opposed to 2013 to 2016.

Notices to plan participants will have to state that (i) both MAP-21 and the Act have modified the method for determining the interest rates used to determine the actuarial value of benefits earned under the plan, and (ii) due to MAP-21 and the Act, the plan sponsor may contribute less to the plan than otherwise required when interest rates are at historical lows.

The amendments made by the Act, other than those regarding prohibited payments in bankruptcy, apply to plan years beginning after Dec. 31, 2012. A plan sponsor may elect not to have the amendments made by these provisions apply to any plan year beginning before Jan. 1, 2014.



The Act amends the prohibition on payments in bankruptcy by providing that the determination of a plan's AFTAP must be made without using 25-year smoothing.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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