



Proposed Pension Annual Funding Notice Changes

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Talking Points

- Companies are required to provide an Annual Funding Notice (AFN) to all participants and beneficiaries as specified in the Pension Protection Act (PPA) of 2006 and the Bipartisan Budget Act of 2015 (BBA).
- Unfortunately, neither the PPA nor BBA required a straightforward and up-to-date disclosure of the pension plan's actual funding status in a manner that is both understandable and most relevant to plan participants and beneficiaries.
- The NRLN is proposing common-sense changes to the Department of Labor's (DOL) model Annual Funding Notice (AFN) used by most companies.
- The NRLN proposes a simplified version of the "Funding Target Attainment Percentage" (FTAP) table – on page 1 of the AFN – which is recast and recaptioned as disclosing "Plan Funding Status" [as explained in the Executive Summary in the NRLN's folder].
- From a participant's perspective, a more timely and accurate (market-based) disclosure of the Percentage of Plan Liabilities Funded is needed and imposes no significant added burden.
- The FTAP is an accounting concept that plan sponsors use to determine their minimum contribution for that plan year and does not provide up to date valuations of a plan.
- The NRLN proposes three (3) additional changes to DOL's model AFN:
- First, this revised Plan Funding Status table uses the fair market value of plan assets and liabilities as of the last day of the plan year to calculate the Percentage of Plan Liabilities Funded.
- Second, a table is added to the PBGC section explaining distress terminations and benefit guarantees so that retirees know the "Percentage of PBGC Termination Liability Funded" as of the last day of the plan year.
- Finally, the AFN's current disclosure of "Participant Information" is displayed in tabular form and – like all other AFN disclosures – shows the current plan year and the two previous plan years.
- In sum, retirees deserve a more relevant and timely disclosure of the Percentage of Plan Liabilities Funded, both on a fair market value basis (using the non-adjusted discount rate) and also based on the PBGC measure of Termination Liability.
- Congress can once again improve the utility and relevance of the AFN for the average plan participant by authorizing the DOL to make the changes proposed above.

For a copy of an NRLN whitepaper on this subject, contact Alyson Parker at 813-545-6792 or executivedirector@nrln.org