

# Guidance on Pension Funding Stabilization under the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21)

Notice 2012-61

## I. PURPOSE

This notice provides guidance on the special rules relating to pension funding stabilization for single-employer defined benefit pension plans under amendments to the Internal Revenue Code (Code) and the Employee Retirement Income Security Act of 1974 (ERISA)<sup>1</sup> made by the Moving Ahead for Progress in the 21<sup>st</sup> Century Act (MAP-21), Pub. L. No.112-141. MAP-21 was enacted July 6, 2012, and contains a number of pension provisions in Division D (Finance).

## II. BACKGROUND

Section 430 specifies the minimum funding requirements that generally apply to single-employer defined benefit pension plans pursuant to § 412. Section 430(h)(2) specifies interest rates that are used for purposes of calculating the minimum required contribution. The interest rates that are used for this purpose are a set of three segment rates described in § 430(h)(2)(C)(i), (ii), and (iii), or, alternatively, a full yield curve described in § 430(h)(2)(D)(ii). These rates are used for a number of purposes under § 430, including:

- The calculation of target normal cost and funding target under §§ 430(b) and 430(d), in accordance with the rules of § 1.430(d)-1 of the Income Tax Regulations;
- The calculation of the present value of remaining shortfall and waiver amortization installments for purposes of determining any shortfall amortization base established in the current plan year under § 430(c)(3);
- The determination of amortization installments with respect to a shortfall or waiver amortization base under § 430(c)(2) or § 430(e)(2); and
- The limitation on the assumed rate of return when determining the average value of assets under § 430(g)(3)(B).

The segment rates under § 430(h)(2)(C) are used for other purposes as well. Sections 104 and 105 of the Pension Protection Act of 2006, Pub. L. No. 109-280, as amended (PPA '06), provide that the effective dates for the minimum funding rules under § 430 and funding-based benefit restrictions under § 436 are

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<sup>1</sup>Under section 101 of Reorganization Plan No. 4 of 1978 (43 FR 47713) and section 3002(c) of ERISA, the Secretary of the Treasury has interpretive jurisdiction over the subject matter addressed in this notice for purposes of ERISA, as well as the Code. Thus, the provisions of this notice pertaining to sections 430 and 436 of the Code also apply for purposes of sections 206(g) and 303 of ERISA.

delayed for certain plans.<sup>2</sup> Sections 104 and 105 of PPA '06 provide that in applying § 412(b)(5)(B) (as in effect prior to amendment by PPA '06) for plan years beginning after December 31, 2007, and before the first plan year to which §§ 430 and 436 apply, the third segment rate determined under § 430(h)(2)(C)(iii) is to be used in lieu of the interest rate otherwise used to determine current liability.

The third segment interest rate under § 430(h)(2)(C)(iii) is also specified as an interest crediting rate not in excess of a market rate of return for a statutory hybrid benefit formula under § 1.411(b)(5)-1(d)(3). In addition, § 1.411(b)(5)-1(d)(4) provides that the first and second segment rates under §§ 430(h)(2)(C)(i) and (ii) are deemed not to exceed a market rate of return.

Section 40211(a) of MAP-21 adds § 430(h)(2)(C)(iv), generally effective for plan years beginning on or after January 1, 2012. Section 430(h)(2)(C)(iv) provides that each of the three segment rates described in § 430(h)(2)(C)(i), (ii), and (iii) for a plan year is adjusted as necessary to fall within a specified range that is determined based on an average of the corresponding segment rates for the 25-year period ending on September 30 of the calendar year preceding the first day of that plan year. Under § 430(h)(2)(C)(iv)(II), for plan years beginning in 2012, each segment rate is adjusted so that it is no less than 90% and no more than 110% of the corresponding 25-year average segment rate. For later plan years, this range is gradually increased, so that the segment rates for plan years beginning after 2015 are no less than 70% and no more than 130% of the corresponding 25-year average segment rates. Notice 2012-55, 2012-36 I.R.B. 332, sets forth the initial set of MAP-21 segment rates under § 430(h)(2)(C)(iv)(II) for plan years beginning in 2012.

Sections 40211(a)(2) and 40211(b)(3) of MAP-21 amend the Code and ERISA to provide that the adjustments based on the 25-year average segment rates under § 430(h)(2)(C)(iv) do not apply for certain purposes involving:

- Section 404(o) (relating to the determination of the maximum deductible limit under § 404);
- Section 417(e)(3) (relating to the calculation of the minimum present value requirement for distributions);
- Section 420 (relating to the determination of the amount of excess assets that can be transferred to retiree health and retiree group term life insurance accounts);
- Section 4006 of ERISA (relating to the calculation of PBGC variable-rate premiums); and

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<sup>2</sup> For plans described in section 106 of PPA '06, the provisions of §§ 430 and 436 apply for plan years beginning on or after January 1, 2011, which is before the effective date of section 40211 of MAP-21. Therefore, the amendments made by section 40211 of MAP-21 apply to these plans in the same manner as for other plans that are subject to §§ 430 and 436.

- Section 4010 of ERISA (relating to the requirement to report additional information to the PBGC that applies to contributing sponsors of certain underfunded plans).

In addition, section 40211(b)(2)(A) of MAP-21 amends section 101(f) of ERISA to require additional disclosures for certain plans as part of the annual funding notice to participants. These additional disclosures relate to the effect of the application of the 25-year average segment rates.

Section 40211(c)(1) of MAP-21 provides that the amendments to the Code and ERISA made by section 40211 of MAP-21 are generally effective for plan years beginning after December 31, 2011. However, under section 40211(c)(2)(A) of MAP-21, a plan sponsor may elect not to have these amendments apply to any plan year beginning before January 1, 2013, either (i) for all purposes, or (ii) solely for purposes of determining the adjusted funding target attainment percentage (AFTAP) under § 436. Section 40211(c)(2)(A) also provides that a plan shall not be treated as failing to meet the requirements of § 411(d)(6) and section 204(g) of ERISA solely by reason of such an election.

Section 40211(c)(2)(B) of MAP-21 provides that if, as of the date of enactment of MAP-21 (July 6, 2012), an election is in effect with respect to a plan to use the full yield curve as provided under § 430(h)(2)(D)(ii), a plan sponsor may revoke that election without the consent of the Secretary of the Treasury. This revocation may be made any time before the date that is one year after the date of enactment of MAP-21, and is effective for the first plan year to which the MAP-21 amendments apply.

### **III. QUESTIONS AND ANSWERS**

The questions and answers in this notice relate to the following topics:

- G - General guidance relative to application of MAP-21 segment rates
- NA - Measurements for which MAP-21 segment rates do not apply
- H - Statutory hybrid plans
- T - Transition issues
- E - MAP-21 elections
- R - Schedule SB reporting

#### **G - GENERAL GUIDANCE RELATIVE TO APPLICATION OF MAP-21 SEGMENT RATES**

Q G-1: How are the adjusted segment rates under § 430(h)(2)(C)(iv) (“MAP-21 segment rates”) determined for a plan year?

A G-1: (a) For determinations for which the MAP-21 segment rates apply, each segment rate for the plan year that is determined under § 430(h)(2)(C)(i),

§ 430(h)(2)(C)(ii), or § 430(h)(2)(C)(iii) is adjusted to the extent necessary so that it is no less than the applicable minimum percentage of the corresponding 25-year average segment rate for the calendar year that contains the first day of the plan year and no more than the applicable maximum percentage of that 25-year average segment rate.

(b) The applicable minimum and maximum percentages of the 25-year average segment rates are as follows:

For plan years beginning in	Applicable minimum percentage	Applicable maximum percentage
2012	90%	110%
2013	85%	115%
2014	80%	120%
2015	75%	125%
2016 and later	70%	130%

(c) The 25-year average segment rates for a calendar year are the rates published by the Service based on the average of the segment rates for the 25-year period ending on September 30 of the prior calendar year. The applicable corridors around the 25-year average segment rates apply for plan years beginning in a given calendar year, regardless of the valuation date and regardless of whether an election to use the segment rates for a lookback month is in effect for the plan year. The Service will publish the resulting MAP-21 segment rates each month.

Example G-1: Plan A has a calendar year plan year and a January 1 valuation date. For the January 1, 2015 valuation, the plan sponsor has elected to use the segment rates for December 2014. Assume for the purposes of this example that the unadjusted first, second and third segment rates for December 2014 are 2.50%, 5.75%, and 6.90%, respectively. Further assume that the first, second and third 25-year average segment rates as of September 30, 2014, are 6.00%, 7.50%, and 8.15%, respectively. The MAP-21 first, second and third segment rates for the January 1, 2015 valuation are 4.50%, 5.75%, and 6.90%, respectively, determined as shown in the following table:

(1) Segment rate	(2) Unadjusted rate for December 2014	(3) 25-year average segment rate	(4) Applicable minimum rate for 2015 (75% of column (3))	(5) Applicable maximum rate for 2015 (125% of column (3))	(6) MAP-21 segment rate for 2015 plan year
First	2.50%	6.00%	4.50%	7.50%	4.50%
Second	5.75%	7.50%	5.63%	9.38%	5.75%
Third	6.90%	8.15%	6.11%	10.19%	6.90%

Example G-2: Plan B, which is a small plan described in § 430(g)(2)(B), has a plan year beginning November 1 and ending October 31. Plan B's valuation date is October 31, and the plan sponsor has elected to use the segment rates under § 430(h)(2)(C) for the month including the valuation date. The MAP-21 segment rates for the plan year beginning November 1, 2013, are determined based on the unadjusted segment rates for the month of October 2014, limited to no less than 85% and no more than 115% of the 25-year average segment rates as of September 30, 2012.

Q G-2: For what purposes do the MAP-21 segment rates apply?

A G-2: (a) Except as provided under the amendments made by MAP-21 and applicable guidance, the MAP-21 segment rates apply to all measurements that are based on the segment rates described in § 430(h)(2)(C)(i), (ii) and (iii). Accordingly, once the amendments made by MAP-21 are effective for a plan year:

(1) The MAP-21 segment rates apply for the purpose of determining the minimum required contribution under § 430, including the calculation of target normal cost and funding target under §§ 430(b) and 430(d) and § 1.430(d)-1, the calculation of the present value of remaining shortfall and waiver amortization installments for purposes of determining any shortfall amortization base established in the current plan year under § 430(c)(3), the determination of shortfall and waiver amortization installments under § 430(c)(2) and §430(e)(2), and the limitation on the assumed rate of return for purposes of determining the average value of assets under § 430(g)(3)(B), as described in section III.B. or III.C. of Notice 2009-22, 2009-14 I.R.B. 741.

(2) The MAP-21 segment rates apply for purposes of applying the benefit restrictions under § 436, including the calculation of the adjusted funding target under § 1.436-1(j)(1)(iii), the adjusted plan assets under § 1.436-1(j)(1)(ii), and the resulting adjusted funding target attainment percentage (AFTAP) under § 436(j)(2) and § 1.436-1(j)(1).

(3) Under sections 104 and 105 of PPA '06, when applying § 412(b)(5)(B) (as in effect before PPA '06) for plan years beginning after December 31, 2007, and before the first year to which § 430 applies to the plan, current liability is determined using the third segment interest rate under § 430(h)(2)(C)(iii) in lieu of the interest rate otherwise used. For purposes of determining the minimum contribution requirements under § 412 (as in effect before PPA '06), current liability is determined reflecting the MAP-21 adjustments to the third segment rate in accordance with § 430(h)(2)(C)(iv).

(b) The MAP-21 segment rates do not apply for purposes for which they are specifically excluded under the provisions of MAP-21 or related guidance. See

Q&A NA-1 through NA-3 of this notice for a list of those purposes and related guidance.

(c) See Q&A H-1 and H-2 of this notice for guidance regarding the effect of § 430(h)(2)(C)(iv) on interest crediting rates for a statutory hybrid plan pursuant to § 1.411(b)(5)-1(d).

Q G-3: Do the amendments made by MAP-21 affect the application of the interest rates for a plan for which an election to use the full yield curve under § 430(h)(2)(D)(ii) is in effect for the plan year?

A G-3: (a) Generally, no. However, if the plan uses an average value of assets under § 430(g)(3)(B), the assumed rate of return is limited by the MAP-21 third segment rate. See Q&A G-5(c)(2) of this notice.

(b) The plan sponsor may elect to revoke the election to use the full yield curve without the approval of the Secretary, as provided in section 40211(c)(2)(B) of MAP-21 and described in Q&A E-4 and E-5 of this notice.

Q G-4: Do the amendments made by MAP-21 affect the annuity substitution rule in § 1.430(d)-1(f)(4)(iii) used to determine the value of expected distributions subject to § 417(e)(3) that are included in the funding target and target normal cost?

A G-4: (a) Section § 1.430(d)-1(f)(4)(iii) generally provides that, for purposes of calculating the funding target and target normal cost, the present value of a distribution that is subject to § 417(e)(3) is determined as the present value, using specified assumptions, of the annuity that is used under the plan to determine the amount of the distribution (the “annuity substitution rule”). This rule is applied using the valuation interest rates under § 430(h)(2) for purposes of discounting the projected annuity payments from their expected payment dates to the valuation date.

(b) MAP-21 does not change the annuity substitution rule. Accordingly, for purposes of measurements to which the MAP-21 segment rates apply, the present value of a distribution that is subject to § 417(e)(3) is determined using the MAP-21 segment rates to discount the projected annuity payments in accordance with § 1.430(d)-1(f)(4)(iii).

Q G-5: How do the MAP-21 segment rates affect the value of plan assets for purposes for which the MAP-21 segment rates apply?

A G-5: (a) The value of plan assets is calculated in accordance with §§ 430(g)(3) and (g)(4), § 1.430(g)-1, and Notice 2009-22, based on the interest rates used for the relevant plan years and the purpose for which the asset value is calculated. This Q&A G-5 describes the calculation of the value of plan assets

for purposes for which MAP-21 segment rates apply. See Q&A NA-3 of this notice for guidance on calculating the value of plan assets for purposes for which the MAP-21 segment rates do not apply.

(b)(1) Under § 430(g)(4), the value of plan assets as of a valuation date reflects contributions for the prior year that were made after the current year's valuation date, adjusted to the current year's valuation date using the plan's effective interest rate for the prior year as defined in § 430(h)(2)(A). The effective interest rate is generally based on the segment rates or rates from the full yield curve, whichever is used to determine the funding target for the plan. Accordingly, if the MAP-21 segment rates were used to determine the funding target for the plan for the prior plan year, the effective interest rate used to adjust these contributions receivable reflects the MAP-21 segment rates for the prior year.

(2) For a plan with a valuation date that is not the first day of the plan year, the value of assets for purposes of § 430 excludes contributions for the current plan year that were made prior to the valuation date. The value of contributions so excluded is adjusted for interest from the date of payment to the valuation date using the effective interest rate for the current plan year. Accordingly, if the MAP-21 segment rates are used to determine the funding target for the current plan year, the effective interest rate used to adjust these contributions reflects the MAP-21 segment rates.

(c)(1) If the actuarial value of assets is calculated as the average value of assets under § 430(g)(3)(B) and either the funding target or the target normal cost for a plan year is determined using the three segment rates, section III.B. of Notice 2009-22 provides that for purposes of calculating the expected earnings for a plan year, the assumed rate of earnings is limited to the third segment rate used for that determination. Therefore, if the MAP-21 segment rates are used to determine the funding target or target normal cost for a plan year, then the assumed rate of return used to determine the expected earnings for that plan year is limited to the MAP-21 third segment rate used for the plan for that plan year.

(2) Pursuant to section III.C of Notice 2009-22, if neither the funding target nor the target normal cost for a plan year is determined using the segment rates, and the value of plan assets is determined using the average value of assets under § 430(g)(3)(B), then for purposes of calculating the expected earnings for a plan year, the assumed rate of return for periods within the plan year generally must be limited so that it does not exceed the average of the spot third segment rates for the 24-month period ending with the month preceding the month that contains the valuation date for the plan year. Accordingly, if the amendments made by MAP-21 apply to the plan for a plan year, the assumed rate of return used to calculate the expected earnings for that plan year is limited to the

MAP-21 third segment rate for the month that contains the valuation date for that plan year.

Q G-6: How do the MAP-21 segment rates affect the determination of the funding standard carryover balance and prefunding balance for purposes for which the MAP-21 segment rates apply?

A G-6: For certain purposes, the value of plan assets is reduced by the funding standard carryover balance and the prefunding balance. Applying the MAP-21 segment rates can have both direct and indirect impacts on these balances.

(a) Applying the MAP-21 segment rates has an impact on the calculation of the minimum required contribution for a year, and hence on the determination of the excess contributions that may be added to the prefunding balance under § 430(f)(6)(B).

(b) Under § 430(f)(6)(B)(ii) and § 1.430(f)-1(b)(1)(iv), contributions are generally adjusted for interest based on the effective interest rate for purposes of determining the amount of excess contributions that may be credited to the prefunding balance. If the MAP-21 segment rates are used to calculate the funding target (or the target normal cost in the case of a plan with a zero funding target) for the plan year to which the contributions relate, then the effective interest rate used to make these adjustments reflects the MAP-21 segment rates.

(c) In addition, § 430(f)(5), § 1.430(f)-1(e), § 436(f), § 1.436-1(a)(5), and § 1.436-1(f)(1) provide that the funding standard carryover balance and the prefunding balance may be reduced by voluntary or deemed elections to avoid benefit restrictions based on the certified AFTAP for the plan year or to increase the value of plan assets (for example, so that the plan can reach various funding thresholds). Also, plan sponsors may elect to use these balances to offset minimum required contributions. These adjustments are made in accordance with the rules of § 430(f), § 436(f)(3), § 1.430(f)-1(d), § 1.430(f)-1(e) and § 1.436-1(a)(5), and reflect whichever interest rates are in effect for the plan for the applicable measurements.

Q G-7: To the extent that this notice describes expected changes in the existing regulations that will conform to the provisions of this notice that conflict with those regulations, can these provisions be relied upon before the regulations are issued?

A G-7: The changes described in the sections of this notice listed below may be relied upon pending issuance of proposed regulations that reflect such changes:



(a) Q&A T-2(c)(1) and Q&A T-3(e)(2), relating to an additional exception to the rule in § 1.430(f)-1(f)(3) generally requiring elections to reduce a plan's funding standard carryover balance or prefunding balance to be irrevocable;

(b) Q&A T-3(d), relating to the addition to the list of deemed immaterial changes in § 1.436-1(h)(4)(iii)(C); and

(c) Q&A T-3(e)(3), relating to an additional exception to the rule under § 1.436-1(f)(2)(ii)(A) generally prohibiting the application of section 436 contributions toward minimum required contributions.

## **NA - MEASUREMENTS FOR WHICH MAP-21 SEGMENT RATES DO NOT APPLY**

Q NA-1: For what purposes do the MAP-21 segment rates not apply?

A NA-1: The MAP-21 segment rates do not apply for purposes for which they are specifically excluded under the provisions of sections 40211(a)(2) and 40211(b)(3) of MAP-21 or related guidance (including this notice). Accordingly, except as provided in Q&A NA-3 of this notice, the MAP-21 segment rates should not be used for the purpose of applying § 404(o) to determine the maximum deductible limit under § 404; calculating the minimum present value requirement for distributions subject to § 417(e)(3); determining the amount of excess assets that can be transferred to retiree health or retiree group term life insurance accounts under § 420; or calculating the FTAP used to determine whether certain information must be reported to the PBGC relative to a plan under section 4010 of ERISA. See Q&A NA-2 and NA-3 of this notice for additional details. (See also section 40211(b)(3)(C) of MAP-21 regarding the determination of variable-rate PBGC premiums.)

Q NA-2: How do the MAP-21 segment rates affect the application of the rules regarding at-risk status under § 430(i) for purposes for which the MAP-21 segment rates do not apply?

A NA-2: (a) Section 430(i) and § 1.430(i)-1 define special "at-risk" assumptions that apply if a plan is in at-risk status for a given plan year. A plan is in at-risk status for a plan year if both (1) the funding target attainment percentage described in § 430(d)(2) for the preceding plan year (without reflecting the special at-risk assumptions) was less than 80% and (2) the funding target attainment percentage for the preceding plan year (reflecting the special at-risk assumptions) was less than 70%. If a plan is in at-risk status, the funding target and target normal cost may reflect a loading factor under § 430(i)(1)(C) and may also reflect a transition adjustment under § 430(i)(5), depending on whether the plan was in at-risk status for past years.

(b) The determination of whether a plan is in at-risk status for a given plan year (and the extent to which the § 430(i)(1)(C) load and § 430(i)(5) transition adjustment apply) is made separately for purposes for which the MAP-21 segment rates apply and for purposes for which the MAP-21 segment rates do not apply, based on the segment rates or rates from the full yield curve that were used to calculate the funding target for that specific purpose for the preceding plan year. For example, a plan may be in at-risk status for a given plan year for purposes of determining the deductible limit under § 404(o), but not be in at-risk status for purposes of determining the minimum required contribution for that same plan year.

(c) See PBGC Technical Update 12-1 with respect to the determination of at-risk status for the purpose of calculating variable-rate premiums.

Q NA-3: How is the value of plan assets determined for purposes for which the MAP-21 segment rates do not apply?

A NA-3: (a) Except as otherwise permitted under paragraph (b) of this Q&A NA-3, when determining the value of plan assets for a purpose for which the MAP-21 segment rates do not apply: (1) the interest adjustments for contributions receivable (and contributions made for the plan year that are made before the valuation date) are determined using the effective interest rate that does not reflect the MAP-21 segment rates; and (2) the limit on the assumed rate of return used to calculate expected earnings under § 430(g)(3) must be the unadjusted third segment rate. Therefore, the value of plan assets used for a purpose for which the MAP-21 segment rates do not apply may differ from the value of plan assets used for purposes for which the MAP-21 segment rates apply. Note that this rule applies to a plan for which an election to use the full yield curve under § 430(h)(2)(D)(ii) is in effect, even though the funding target and target normal cost are not affected by the changes made by MAP-21.

(b) For purposes of determining the maximum deductible limit on pension contributions under § 404, a taxpayer is permitted instead to determine the maximum deductible limit under § 404 using the value of plan assets based on a limit on the expected earnings that reflects the MAP-21 third segment rate and adjusting contributions at the plan's effective interest rate determined based on the interest rates used to calculate the minimum required contribution under § 430. Taxpayers are permitted to use this approach only for determinations for which the MAP-21 third segment rate is higher than the unadjusted third segment rate.

(c) Certain measurements (such as the determination of excess assets under § 420 and the funding target attainment percentage) are based on the value of the plan's assets reduced by the funding standard carryover balance and the prefunding balance. A plan's funding standard carryover balance and prefunding balance depend on voluntary and deemed elections made by the plan sponsor

(1) to add excess contributions to the prefunding balance, (2) to reduce the balances (usually to attain certain funding benchmarks or to avoid benefit restrictions), or (3) to use the funding balances to offset minimum required contributions. Accordingly, it would be complex to determine what these balances would have been had MAP-21 not been enacted. Furthermore, if separate tracking were required, it is not clear whether the balances would be smaller or larger than the actual balance.<sup>3</sup> Therefore, the actual balances developed for purposes of determining the minimum funding requirements under § 430 must be used for measurements in which the assets are determined by subtracting the funding balances, even if the MAP-21 segment rates are not otherwise used for that measurement.

(d) See PBGC Technical Update 12-1 with respect to the determination of the value of plan assets for the purpose of calculating variable-rate premiums. See PBGC Technical Update 12-2 for information about how the asset calculation noted in this Q&A NA-3 affects reporting requirements under section 4010 of ERISA.

## **H - STATUTORY HYBRID PLANS**

Q H-1: How do the changes made by MAP-21 affect the interest crediting rates for statutory hybrid plans?

A H-1: (a) In order to comply with § 411(b)(1)(H), a statutory hybrid plan cannot provide for interest credits at an interest crediting rate that exceeds a market rate of return. Section 1.411(b)(5)-1(d)(3) provides that the third segment rate under § 430(h)(2)(C)(iii) is an interest crediting rate that is not in excess of a market rate of return. In addition, § 1.411(b)(5)-1(d)(4) specifies that the first and second segment rates under §§ 430(h)(2)(C)(i) and (ii) are safe harbor rates that are deemed not to exceed a market rate of return.

(b) Section 1.411(b)(5)-1(d)(1)(iii) provides that an interest crediting rate is not in excess of a market rate of return only if it is described in § 1.411(b)(5)-1(d)(3), (d)(4), or (d)(5). Section 1.411(b)(5)-1(f)(2)(i)(B) provides that § 1.411(b)(5)-1(d)(1)(iii) is effective for plan years beginning on or after January 1, 2012. However, Notice 2011-85, 2011-44 I.R.B. 605, indicates that the Treasury Department and the Service intend to amend the regulations to postpone the effective/applicability date of § 1.411(b)(5)-1(d)(1)(iii) to match the applicability date that will apply to regulations finalizing other rules regarding the market rate of return requirement. Those final regulations will not be effective for plan years beginning before January 1, 2014.

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<sup>3</sup> For example, the operation of rules which require reductions in those balances if the reduction would be sufficient to avoid certain benefit limitations under § 436 means that a smaller funding standard carryover balance and prefunding balance could be retained if it were insufficient to avoid the benefit limitation, while a larger one would be required to be reduced.

(c) For a plan that currently defines the interest crediting rate by reference to a segment rate under §§ 430(h)(2)(C)(i), (ii), or (iii), prior to the effective date of the regulations that are described in Notice 2011-85, a plan administrator's reasonable interpretation of plan terms that provide for interest credits by reference to one of the § 430(h)(2)(C) segment rates could reflect either of the following: (1) that the plan terms provide an interest crediting rate by reference to the segment rate without reflecting the changes made by MAP-21; or (2) that the plan terms provide an interest crediting rate by reference to the corresponding MAP-21 segment rate.

(d) If a plan that currently defines the interest crediting rate by reference to a segment rate under § 430(h)(2)(C)(i), (ii), or (iii) is amended to reflect the plan administrator's reasonable interpretation of plan terms to specify that the reference is to the unadjusted segment rate (or, alternatively, to specify that the reference is to the MAP-21 segment rate) by the deadline for amending the plan to comply with the regulations described in Notice 2011-85, then the amendment is not considered to reduce section 411(d)(6) protected benefits. In addition, the amendment would not trigger the requirement to furnish a notice to participants under section 204(h) of ERISA.

(e) Whether any of the MAP-21 segment rates will be specified in the regulations described in Notice 2011-85 as interest crediting rates that do not exceed a market rate of return has not yet been determined, and this determination will be made when those regulations are finalized. If those regulations do not permit a statutory hybrid plan to use an interest crediting rate by reference to the MAP-21 segment rates, a plan that is crediting interest by reference to such rates will be required to change the interest crediting rate in accordance with the applicable transition rules that will apply to other plans that have an interest crediting rate in excess of a market rate of return. As provided in paragraph (b) of this Q&A H-1, those regulations will not be effective for plan years beginning before January 1, 2014.

Q H-2: If a plan currently defines the interest crediting rate by reference to a segment rate under § 430(h)(2)(C)(i), (ii), or (iii), and the plan administrator reasonably interprets plan terms as providing an interest crediting rate by reference to the corresponding MAP-21 segment rate, when must interest credits reflect the changes made by MAP-21?

A H-2: If the plan administrator reasonably interprets plan terms as providing an interest crediting rate by reference to a MAP-21 segment rate, then the interest credits under the plan must be increased to reflect the MAP-21 segment rate for interest credited after the first day of the plan year for which the MAP-21 segment rates apply to the plan for purposes of § 430. Alternatively, such a plan administrator may interpret the plan as providing for the use of the MAP-21 segment rate for determining interest credits under the plan beginning the first day of a plan year beginning in 2012, even if the plan sponsor has elected to

delay the application of MAP-21 segment rates for purposes of § 430. Once a plan administrator reasonably interprets plan terms as providing an interest crediting rate by reference to a MAP-21 segment rate, the plan terms cannot subsequently be interpreted to provide an interest crediting rate by reference to the corresponding unadjusted segment rate without creating the need to protect the accrued benefit as required under § 411(d)(6) (unless the regulations or other guidance provide otherwise).

## **T - TRANSITION ISSUES**

Q T-1: When are the MAP-21 segment rates effective?

A T-1: The MAP-21 segment rates are generally effective for plan years beginning after December 31, 2011. However, the plan sponsor may elect to defer the application of the MAP-21 segment rates to plan years beginning on or after January 1, 2013, either (a) for all purposes, or (b) solely for purposes of determining the AFTAP when applying the funding-based benefit restrictions under § 436. See Q&A E-1 of this notice for additional details.

Q T-2: If the MAP-21 segment rates are used for purposes of determining the minimum required contribution under § 430 for a plan year beginning in 2012, when are the changes in the minimum funding requirements effective?

A T-2: (a) If the MAP-21 segment rates are used to determine the minimum required contribution for a plan year beginning in 2012, the change in the minimum funding requirements is effective as of the first day of that plan year. For example, if reflecting the MAP-21 segment rates in the calculation of the minimum required contribution for the plan year beginning January 1, 2012, would reduce the required quarterly installments for that plan year, the required quarterly installments for that plan year are retroactively reduced for installments due prior to the enactment of MAP-21.

(b) A plan sponsor may not reverse an election under § 1.430(f)-1(d) to use a plan's funding standard carryover balance or prefunding balance to offset the minimum required contribution for a plan year beginning in 2012, except as provided by § 1.430(f)-1(f)(3)(ii) and (iii) (relating to elections to use the funding standard carryover balance or prefunding balance that exceed the amount of the minimum required contribution for the plan year). This rule applies even if applying the MAP-21 segment rates retroactively reduces the required quarterly contributions for that plan year. However, see the special rule for excess contributions attributable to the use of funding balances in § 1.430(f)-1(b)(3)(iii).

(c) (1) A plan sponsor may elect to reverse all or part of any election under § 1.430(f)-1(e) to reduce the plan's funding standard carryover balance or prefunding balance as of the first day of a plan year beginning in 2012 if (i) the reduction election was made on or before September 30, 2012, and (ii) the

MAP-21 segment rates apply for purposes of determining the minimum required contribution for that plan year. It is expected that the regulations under § 430(f) will be revised to reflect this exception to the general rule that such an election is irrevocable.

(2) In addition, despite the general position of the Service that a contribution designated for a particular plan year cannot be redesignated to apply for another plan year after the Schedule SB is filed, the plan sponsor may choose to redesignate all or a portion of a contribution that was originally designated as applying to the plan year beginning in 2011 to apply to a plan year that begins in 2012. This rule applies only to contributions made after the end of the 2011 plan year but on or before September 30, 2012, and applies even if the 2011 Schedule SB had already been filed on or before September 30, 2012.

(3) However, any reversal of an election or redesignation of contributions under paragraph (c)(1) or (c)(2) of this Q&A T-2 is not permitted to the extent it would result in the imposition of benefit restrictions under § 436 for the plan year beginning in 2012 that would not otherwise be imposed or would result in an unpaid minimum required contribution for any plan year.

(4) See Q&A E-3, Q&A R-3, and Q&A R-4 of this notice for further information on how to make and report the elections described in this Q&A T-2.

Q T-3: If the MAP-21 segment rates are used for purposes of applying the funding-based benefit restrictions under § 436 for a plan year beginning in 2012, when are changes in the plan's benefit restrictions effective?

A T-3: (a) (1) The application of the MAP-21 segment rates does not affect the application of the presumption rules under § 436(h) for the first plan year that MAP-21 segment rates apply to the plan for purposes of § 436. Accordingly, the restrictions for a plan year beginning in 2012 must be applied based on the presumed AFTAP before the date, if any, that the AFTAP is certified for the plan year.

(2) Consistent with § 1.436-1(h)(4)(ii), the rules of this Q&A T-3 apply to a range certification in the same way they would apply to the certification of a specific AFTAP.

(b) If the first AFTAP certification for a plan year beginning in 2012 uses the MAP-21 segment rates, the benefit restrictions under § 436 apply based on that AFTAP in accordance with the rules of §§ 1.436-1(g) and (h).

(c) (1) If, on or before September 30, 2012, the AFTAP was certified for a plan year beginning in 2012 using the unadjusted segment rates or the full yield curve, and the plan sponsor subsequently uses the MAP-21 segment rates for purposes of the § 436 benefit restrictions for that plan year, then the plan

sponsor can either choose to apply any change in those restrictions either (i) prospectively, as described in paragraph (d) of this Q&A T-3 or (ii) retroactively to the date that the 2012 AFTAP was originally certified, as described in paragraph (e) of this Q&A T-3. In the absence of an affirmative election to apply the changes retroactively as described in paragraph (e) of this Q&A T-3, the plan sponsor will be treated as having elected to apply any changes prospectively as described in paragraph (d) of this Q&A T-3. In either case, all plan operations and elections must be consistent with this choice, and any plan operations that were inconsistent with this choice must be corrected as described in Q&A T-4 of this notice.

(2) If any AFTAP certification for a plan year beginning in 2012 using the unadjusted segment rates or the full yield curve is made after September 30, 2012, then the rules regarding a material change in the AFTAP set forth in § 1.436-1(h)(4)(iii) and (iv) apply with respect to any subsequent certification for that plan year (including a certification that is based on the MAP-21 segment rates).

(d) (1) If, on or before September 30, 2012, the AFTAP was certified for a plan year beginning in 2012 using the unadjusted segment rates or the full yield curve, the plan sponsor subsequently uses the MAP-21 segment rates for purposes of calculating the AFTAP that is used to apply the § 436 benefit restrictions for that plan year, and the plan sponsor does not choose to apply any change in those restrictions retroactively as described in paragraph (e) of this Q&A T-3, then any subsequent certification for that plan year that is based on the MAP-21 segment rates is subject to the rules regarding a material change in the AFTAP set forth in §1.436-1(h)(4)(iii) and (iv).

(2) Section 1.436-1(h)(4)(iii) sets forth rules relating to changes in certified AFTAPs and provides a special rule that deems a change in the AFTAP attributable to certain events as “immaterial,” even if the change would otherwise be a material change. The effect of having an event for which the change in AFTAP is deemed immaterial is that a plan administrator can reflect the event on a prospective basis beginning with the date of the event, provided that the AFTAP is recertified as soon as practicable thereafter. The Service and the Treasury intend to propose amendments to the list of deemed immaterial changes set forth in §1.436-1(h)(4)(iii)(C) that would provide that additional events can be added to the list of deemed immaterial events in guidance of general applicability. One such event is the event described in this paragraph (d) of Q&A T-3.

(3) Pursuant to this planned change in the regulations, the event that would be treated as a deemed immaterial change is the change in AFTAP attributable to the use of the MAP-21 rate segments for a plan year beginning in 2012. The date of the event would be October 1, 2012, (or the date of the revised AFTAP certification, if earlier). Accordingly, if the plan sponsor chooses to apply any

changes in the § 436 restrictions prospectively for a plan year beginning in 2012 as described in this paragraph (d) of Q&A T-3, any change in benefit restrictions resulting from the updated AFTAP determination using MAP-21 segment rates must be effective as of the earlier of (i) October 1, 2012, or (ii) the date of certification of the 2012 AFTAP determined using MAP-21 segment rates. In such a case, all elections relative to funding balances remain in place and all section 436 contributions remain as originally designated.

(4) The requirement that the AFTAP be recertified to reflect the MAP-21 segment rates as soon as practicable after the event giving rise to the deemed immaterial change as described in paragraph (d)(3) of this Q&A T-3 will not be satisfied if the recertification occurs later than December 31, 2012.

(e) (1) If, on or before September 30, 2012, the AFTAP had been certified for a plan year beginning in 2012 using the unadjusted segment rates or the full yield curve, the plan sponsor subsequently uses the MAP-21 segment rates for purposes of calculating the AFTAP that is used to apply the § 436 benefit restrictions to that plan year, and the plan sponsor elects to apply the AFTAP determined using the MAP-21 segment rates retroactively as described in this paragraph (e) of Q&A T-3, then the operations of the plan must be conformed to that updated AFTAP for the period beginning when the AFTAP for the plan year was originally certified. See Q&A E-2 of this notice for additional details as to how to elect to apply the AFTAP determined using MAP-21 rates retroactively as described in this paragraph (e) of Q&A T-3.

(2) If the MAP-21 segment rates are applied retroactively for purposes of § 436 for a plan year beginning in 2012 as described in this paragraph (e) of Q&A T-3, the plan sponsor may elect to reverse all or a portion of any voluntary or deemed elections to reduce the funding standard carryover balance or prefunding balance that were made to avoid or remove benefit restrictions under § 436. Because §1.436(g)(5)(i)(C) provides that any reductions in prefunding and funding standard account balances made prior to the AFTAP certification continue to apply, no reversal is permitted with respect to elections that were made in connection with the presumed AFTAP for a plan year beginning in 2012. In addition, no reversal of an election under this paragraph (e)(2) is permitted to the extent it would result in the imposition of benefit restrictions under § 436 for the plan year that would not otherwise be imposed or if it would result in an unpaid minimum required contribution under § 430 for any plan year.

(3) If the MAP-21 segment rates are applied retroactively for purposes of § 436 for a plan year beginning in 2012 as described in this paragraph (e) of Q&A T-3, any section 436 contribution that was made in connection with the certified AFTAP is applied toward a minimum required contribution to the extent the contribution is no longer required to remove the benefit restriction. However, no change is permitted with respect to section 436 contributions that were made in connection with the presumed AFTAP for a plan year beginning in 2012.



(4) It is expected that the applicable regulations will be amended to conform to the provisions of this paragraph (e) of Q&A T-3, permitting certain reversals of elections and redesignation of section 436 contributions if an AFTAP based on MAP-21 segment rates is applied retroactively.

Q T-4: What actions must be taken if a certification of a plan's AFTAP reflecting MAP-21 segment rates for a plan year beginning in 2012 creates the need to correct for prior operations as described in Q&A T-3(d)(3) and Q&A T-3(e) of this notice?

A T-4: (a) (1) If the MAP-21 segment rates are used for purposes of applying the funding-based restrictions under § 436 for a plan year beginning in 2012, a plan must take any corrective actions necessary to conform plan operations to the AFTAP reflecting MAP-21 segment rates, if applying the MAP-21 segment rates would have changed the application of the § 436 restrictions for the period (i) beginning with the date of the immaterial event described in Q&A T-3(d)(3) of this notice or (ii) beginning with the date the AFTAP for the year was first certified, as described in Q&A T-3(e) of this notice, as applicable.

(2) If the corrective actions described in paragraphs (b) through (f) of this Q&A T-4 are taken to reflect the application of MAP-21, then the plan's operations are treated as having been consistent with the provisions of the plan document relative to the requirements of § 436. For this purpose, the provisions of the Employee Plans Compliance Resolution System (EPCRS), as set forth in Rev. Proc. 2008-50, 2008-35 I.R.B. 464, apply, except that a plan is eligible for self-correction under sections 7, 8, and 9 of Rev. Proc. 2008-50 without regard to the requirements of sections 4.03 (requiring a favorable IRS determination letter) and 4.04 (requiring certain established practices and procedures) of that revenue procedure.

(b) Consistent with § 1.436-1(a)(4)(iii), if unpredictable contingent event benefits due to an event occurring during a plan year beginning in 2012 are not permitted to be paid because of restrictions under § 436, but are permitted to be paid later in that plan year as a result of a new certification of the AFTAP reflecting MAP-21 segment rates, then those unpredictable contingent event benefits must become payable, retroactive to the period those benefits would have been payable under the terms of the plan (other than plan terms implementing the requirements of § 436(b)).

(c) Consistent with § 1.436-1(a)(4)(iv), if a plan amendment with an effective date during a plan year beginning in 2012 does not take effect because of the limitations of § 436(c), but is permitted to take effect later in that plan year as a result of a new certification of the AFTAP reflecting MAP-21 segment rates, then the plan amendment must automatically take effect as of the first day of that plan year beginning in 2012 (or, if later, the original effective date of the amendment).

(d) For any prohibited payment that was not permitted to be paid during a plan year beginning in 2012 because of restrictions under § 436, but is permitted to be paid on or after the dates described in Q&A T-3(d)(3) and Q&A T-3(e) of this notice as a result of a new certification of the AFTAP reflecting MAP-21 segment rates, the plan has taken adequate corrective action if it makes the prohibited payment available to participants or beneficiaries who would have been eligible for the prohibited payment (including a prohibited payment that is available on a restricted basis under § 436(d)(3)).

(e) For any accruals that were not permitted during the period for which § 436(e) retroactively ceases to apply by reason of the change made by MAP-21 as described in Q&A T-3(d)(3) and Q&A T-3(e) of this notice, the plan has taken adequate corrective action if it restores benefits that accrue during the period to which the MAP-21 segment rates are retroactively applied.

(f) In the case of a participant or beneficiary who, as a result of any of the changes described in paragraphs (b) through (e) of this Q&A T-4, is entitled to increased benefits, to benefits payable at a special early retirement date, or to benefits payable in a different form of payment (and who elects such different form of payment, with spousal consent, if applicable), the required correction is to provide the benefit payments in the increased amount or other form of payment commencing with a new prospective annuity starting date. However, if payments have already commenced, the correction is to provide the participant with (1) future benefit payments that are paid in the same manner and amount as if the participant had begun receiving the corrected payment at his or her original annuity starting date, and (2) a make-up for past underpayments. The make-up for past underpayments is equal to the aggregate difference between the past payments actually received and the amounts that would have been received had the benefit commenced in the correct form of payment at the participant's original annuity starting date, plus interest to the date of the correction (in accordance with EPCRS), and may be paid as either (i) a single-sum payment, or (ii) an actuarially equivalent increase in the amount of future benefit payments.

## **E - MAP-21 ELECTIONS**

Q E-1: How does the plan sponsor elect to defer the use of MAP-21 segment rates until the first plan year beginning on or after January 1, 2013?

A E-1: (a) A plan sponsor elects to defer the use of MAP-21 segment rates until the first plan year beginning on or after January 1, 2013, by providing written notice to the enrolled actuary for the plan and to the plan administrator. The notice must specify the name of the plan, employer identification number and plan number, and whether the use of MAP-21 segment rates is deferred for all purposes or only for determination of the AFTAP used to apply benefit restrictions under § 436.

(b) The election described in paragraph (a) of this Q&A E-1 is irrevocable, and must be made no later than the deadline for filing the Form 5500, Form 5500-SF, or Form 5500-EZ (including extensions) for a plan year beginning in 2012, or the date the applicable form is actually filed, if earlier. However, the decision as to whether to defer the use of MAP-21 segment rates may have to be made earlier if it affects the application of benefit restrictions under § 436. See Q&A R-1 and R-2 of this notice for information on reporting information on Schedule SB of Form 5500 if the MAP-21 segment rates are applied for a plan year beginning in 2012 for purposes of determining the minimum required contribution under § 430 but not for purposes of determining the AFTAP used to apply the benefit restrictions under § 436.

Q E-2: How does a plan sponsor elect to apply an AFTAP based on MAP-21 segment rates retroactively for a plan year beginning in 2012 as described in Q&A T-3(e) of this notice?

A: E-2: (a) A plan sponsor elects to apply an AFTAP based on MAP-21 segment rates retroactively as described in paragraph Q&A T-3(e) (rather than prospectively as described in paragraph Q&A T-3(d)) of this notice by providing written notice to the enrolled actuary for the plan and to the plan administrator. The notice must specify the name of the plan, employer identification number and plan number, and the date as of which the AFTAP based on MAP-21 segment rates is retroactively effective, as determined under Q&A T-3(e) of this notice.

(b) The election described in paragraph (a) of this Q&A E-2 is irrevocable, and must be made no later than the deadline for filing the Form 5500, Form 5500-SF, or Form 5500-EZ (including extensions) for a plan year beginning in 2012, or the date the applicable form is actually filed, if earlier. However, see paragraph Q&A T-3(d)(4) of this notice regarding the timing requirement for eligibility for the deemed immaterial change rule described in paragraph Q&A T-3(d) of this notice.

Q E-3: How does a plan sponsor elect to reverse elections made to reduce the funding standard carryover balance or prefunding balance, or to redesignate contributions originally intended for the 2011 plan year, as permitted under Q&A T-2(c) and Q&A T-3(e)(2) of this notice?

A E-3: (a) Any election to reverse an election to reduce a funding standard carryover balance or prefunding balance that was made before October 1, 2012, or to redesignate a contribution made before October 1, 2012, that was originally designated as applying to the 2011 plan year so that it applies to the 2012 plan year (taking into account the requirements of Q&A T-2 and Q&A T-3 of this notice) is made by the plan sponsor by providing written notification to the plan's enrolled actuary and plan administrator. The written notification must specify the

name of the plan, employer identification number and plan number, and must set forth the relevant details of the election, including the specific dollar amount involved in the election. A conditional or formula-based election does not satisfy this requirement.

(b) Any election to reverse a previous election to reduce the funding standard carryover balance or prefunding balance must be made by the last day of the plan year beginning in 2012 to which the election relates.

(c) Any election to redesignate contributions that were originally designated for the 2011 plan year to the 2012 plan year as a result of the changes made by MAP-21 must be made by the deadline for filing the Form 5500, Form 5500-SF, or Form 5500-EZ (including extensions) for the 2012 plan year or the date the applicable form is actually filed, if earlier.

Q E-4: How does a plan sponsor revoke an election to use the full yield curve under § 430(h)(2)(D)(ii), pursuant to section 40211(c)(2)(B) of MAP-21?

A E-4: (a) The sponsor of a plan for which an election to use the full yield curve under § 430(h)(2)(D)(ii) is in effect as of July 6, 2012, revokes that election by providing written notice to the enrolled actuary for the plan and to the plan administrator no later than July 5, 2013. The notice must specify the name of the plan, employer identification number and plan number, the first plan year for which the election is revoked, and (if applicable) the lookback month used to determine the segment rates in accordance with § 430(h)(2)-1(e)(2).

(b) Once a plan sponsor has revoked the election to use the full yield curve for a plan for a plan year pursuant to section 40211(c)(2)(B) of MAP-21, that revocation cannot be changed for that plan year.

Q E-5: What additional rules apply to a plan sponsor who elects to revoke an election to use the full yield curve under § 430(h)(2)(D)(ii) that is in effect for a plan as of July 6, 2012?

A E-5: (a) If an election to use the full yield curve under § 430(h)(2)(D)(ii) is in effect for a plan as of July 6, 2012, the plan sponsor may revoke the election to use the full yield curve for the first plan year to which MAP-21 segment rates are used under the plan without the approval of the Secretary of the Treasury. This could apply to a plan year beginning in 2012 or 2013 depending on the employer's election to defer the application of MAP-21 segment rates under 40211(c)(2)(A) and Q&A E-1 of this notice. For this purpose, if a plan sponsor elects to defer the application of MAP-21 segment rates for a plan to the first plan year beginning on or after January 1, 2013, solely for purposes of calculating the AFTAP used to apply the funding-based benefit restrictions under § 436, then the amendments made by MAP-21 apply (1) to the first plan year beginning on or after January 1, 2013, for purposes of determining the AFTAP used to apply the

benefit restrictions under § 436, and (2) to a plan year beginning in 2012 for all other purposes. In such a case, the election described in Q&A E-4 of this notice would specify those separate plan years for those separate purposes.

(b) If the plan sponsor revokes the election to use the full yield curve for a plan year beginning in 2012 and applies the MAP-21 segment rates for that plan year, then that revocation also applies for purpose of applying the benefit restrictions under § 436. However, if a plan sponsor elects to defer the application of MAP-21 segment rates for a plan to the first plan year beginning on or after January 1, 2013, solely for purposes of calculating the AFTAP used to apply the funding-based benefit restrictions under § 436, then the full yield curve continues to apply to the plan for such purpose for the plan year beginning in 2012.

## **R - SCHEDULE SB REPORTING**

Q R-1: Should the information reported on the 2012 Schedule SB reflect the MAP-21 segment rates?

A R-1: (a) The information reported on the 2012 Schedule SB should generally reflect the assumptions used to determine the minimum required contribution under § 430. Therefore, for example, the funding target, effective interest rate and target normal cost reported on lines 3 through 6 and the assumed discount rates reported on line 21 of the 2012 Schedule SB must reflect the MAP-21 segment rates if those are used to determine the minimum required contribution for 2012. Otherwise, the information reported should generally be based on the unadjusted segment rates or the full yield curve, whichever is used to determine the 2012 minimum required contribution.

Q R-2: Should the AFTAP reported on line 15 of the 2012 Schedule SB reflect the MAP-21 segment rates?

A R-2: (a) The AFTAP reported on line 15 of the 2012 Schedule SB is the final certified AFTAP for the plan year, reflecting any adjustments to reflect the MAP-21 rates, if applicable, and any adjustments pertaining to the plan year made subsequent to the valuation.

(b) (1) If the plan sponsor elects to defer the effective date of MAP-21 for purposes of applying the funding-based benefit restrictions under § 436 until the plan year beginning on or after January 1, 2013, as permitted under section 40211(c)(2)(A) of MAP-21, the AFTAP reported on line 15 of the 2012 Schedule SB must not reflect the MAP-21 segment rates.

(2) For plans with valuation dates other than the first day of the plan year, the instructions to Schedule SB generally require that the AFTAP reported on line 15 of Schedule SB be the final certified AFTAP based on the valuation results for the

plan year for which the Schedule SB is prepared, reflecting other adjustments as defined in applicable guidance, even if that AFTAP is not used to apply the restrictions under § 436 until the following plan year.

(3) If the segment rates used to determine the AFTAP reported on line 15 of the Schedule SB differ from those used to determine the minimum required contribution, include in the attachment for line 15 a description of the segment rates or the full yield curve in the same level of detail as the information reported on line 21 of the 2012 Schedule SB.

Q R-3: How are any elections to reverse previous elections to reduce the funding standard carryover balance or the prefunding balance as permitted under Q&A T-2(c) and Q&A T-3(e)(2) of this notice reported on the 2012 Schedule SB?

A R-3: If an election is made to reverse earlier elections to reduce the funding standard carryover balance or prefunding balance for a 2012 plan year, complete the entries on line 12 of the 2012 Schedule SB reflecting the net effect of the original election and the election to reverse all or part of that election, as if the net amount of the reduction was the amount of the original election. Include a reconciliation of the reductions under the original election and subsequent reversal of all or part of that election in the attachment to line 9, "Schedule SB, line 9 – Explanation of Credit Balance Discrepancy."

Example R-1. Plan sponsor A elected (or was deemed to have elected, under § 436(f)(3) and § 1.436-1(a)(5)) to reduce a plan's funding standard carryover account balance by \$100,000 in connection with the certification of an AFTAP on or before September 30, 2012, and prior to the application of the MAP-21 segment rates. If A chooses to apply the MAP-21 segment rates retroactively in accordance with Q&A T-3(e) of this notice and elects to reverse \$25,000 of the reduction after reflecting the MAP-21 segment rates, then line 12, column (a) of the 2012 Schedule SB would reflect the net \$75,000 reduction in the funding standard carryover balance as if that had been the amount reduced by the original election. The attachment to line 9 would include a reconciliation showing the date and amount of the original \$100,000 reduction in the plan's funding standard carryover balance and the date and amount of the subsequent reversal of \$25,000 after the application of the MAP-21 segment rates.

Q R-4: How does Schedule SB reflect (1) any elections to redesignate contributions made on or before September 30, 2012, to the 2012 plan year which were originally designated as applying to the 2011 plan year in accordance with Q&A T-2(c)(2) of this notice or (2) any section 436 contributions that were made on or before September 30, 2012, that are applied to the minimum required contribution for 2012 in accordance with Q&A T-3(e)(3) of this notice?

A R-4: If any contributions originally designated as applying to the 2011 plan year that were paid on or before September 30, 2012, are redesignated as

applying to a plan year beginning in 2012 as provided in Q&A T-2(c)(2) of this notice, or if any section 436 contributions that were made on or before September 30, 2012, are applied to the minimum required contribution for 2012 as provided in Q&A T-3(e)(3) of this notice, complete the 2012 Schedule SB as if such contributions had originally been intended to apply toward the minimum required contribution for the 2012 plan year. Accordingly:

(a) Exclude the interest-adjusted contributions redesignated from the 2011 plan year from the entries on line 11a through 11c of the 2012 Schedule SB, instead of reporting the present value of excess contributions reported on lines 38a and 38b of the 2011 Schedule SB. Include a reconciliation of the difference between the entries in lines 11a through 11c on the 2012 Schedule SB and the information on lines 38a and 38b of the 2011 Schedule SB in the attachment to line 9, "Schedule SB, line 9 –Explanation of Credit Balance Discrepancy"). Alternatively, the plan sponsor may file an amended 2011 Schedule SB, excluding any contributions that are redesignated for a 2012 plan year.

(b) Include the amount of the contributions redesignated from the 2011 plan year and section 436 contributions applied to the minimum required contribution on the 2012 Schedule SB, in line 18 and in the interest-adjusted contributions in line 19c (adjusted with interest to the valuation date for the 2012 plan year). Report these contributions in the schedule described in the attachment to line 19, "Schedule SB, line 19 – Discounted Employer Contributions," and include the fact that these contributions were originally credited to the 2011 plan year when reporting the plan year to which these contributions (or the portions of individual contributions) are applied.

#### **IV. PAPERWORK REDUCTION ACT**

The collections of information contained in this notice have been reviewed and approved by the Office of Management and Budget in accordance with the Paperwork Reduction Act (44 U.S.C. § 3507) under control number 1545-1610.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

The collections of information in this notice are in section III of this notice. The collections of information are required to implement the application of the funding relief under section 40211 of MAP-21. The collections of information are mandatory for those plan sponsors making various elections when applying the amendments made by MAP-21 to a plan.

The likely respondents are sponsors of approximately 39,000 single-employer defined benefit plans, including one-participant plans. Currently, it is estimated that any effect on burden as previously reported to OMB will not be significant.

Any potential changes on burden will be reported through the renewal of the current OMB approval numbers.

Estimates of the annualized cost to respondents are not available at this time.

Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by § 6103.

## **V. DRAFTING INFORMATION**

The principal author of this notice is Carolyn Zimmerman of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact the Employee Plans taxpayer assistance answering service at 1-877-829-5500 (a toll free number) or e-mail Ms. Zimmerman at [RetirementPlanQuestions@irs.gov](mailto:RetirementPlanQuestions@irs.gov).