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GRIST



Extended pension interest rate relief to become law; other reforms pending

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Bipartisan infrastructure [legislation](#) (HR 3684) that will extend pension funding interest rate relief for another five years is heading for the president's signature after passing the House Nov. 5. The measure, which continues the relief enacted earlier this year in the American Rescue Plan Act (ARPA) ([Pub. L. No. 117-2](#)), passed the Senate in August. Congress continues to mull over other reforms in the Build Back Better Act (BBBA, [HR 5376](#)), including a package of revenue-raising retirement provisions and a controversial 15% minimum corporate income tax that would hit defined benefit (DB) pension plans.

Delayed phaseout of stabilized interest rates

To extend and enhance interest rate relief, ARPA narrowed the former 10% interest rate corridor to 5%, effective retroactively to 2020, and kept the 5% corridor in place through 2025. The infrastructure bill keeps the 5% corridor in place through 2030. At that point, the corridor will widen by 5 percentage points each year until it reaches 30% in 2035, rather than in 2030 as under ARPA. This provision is projected to raise \$2.9 billion over 10 years and help pay for the roughly \$1 trillion infrastructure package by reducing tax-deductible pension contributions.

Rest of ARPA pension relief intact. The bill leaves unchanged the rest of ARPA's single-employer pension relief. A 5% floor continues to apply to 25-year interest rate averages to provide protection from extreme interest rate movements, and employers can continue to use ARPA's new 15-year shortfall amortization period. The measure makes no adjustments to PBGC premium rates.

Additional BBBA reforms edge closer to House vote

House passage of the infrastructure bill came just before the chamber approved a measure delaying a vote on BBBA, Democrats' contentious social-spending and climate package. Party leaders have pegged the cost at roughly \$2 trillion and say the package will not increase the deficit, but centrists wary of further deficit spending are demanding to see official Congressional Budget Office (CBO) estimates of how much the measure will cost and how much will be offset by new revenue. The CBO could issue estimates and a final House vote could occur within weeks.

The House package includes several revenue-raising provisions that would ban Roth conversions in retirement plans and IRAs, prohibit all Roth conversions for high-income taxpayers, cap aggregate defined contribution (DC) plan and IRA contributions, and require employers to report DC account balances exceeding \$2.5 million to IRS. The bill omits earlier proposals to require nearly all employers to offer an automatic deferral-only DC plan or payroll-deduction IRA and expand the saver's credit.

Corporate minimum tax could affect DB plans. BBBA includes a controversial 15% minimum corporate income tax on entities with accounting income in excess of \$1 billion. DB pension plan sponsors are concerned because this tax would apply any accounting pension income and effectively eliminate tax deductions for plan contributions. The [American Benefits Council](#) and other employer groups are urging lawmakers to preserve current income tax rules for DB plans and other post-retirement benefits (such as retiree health plans).

If the measure clears the House, an uncertain future awaits in the Senate, where moderate Democrats are set to make extensive changes. Democrats need all of their 50 senators to pass the bill under the reconciliation process, which requires a simple majority instead of the usual 60 votes. The process also requires the legislation to be directly related to the federal budget, so the Senate parliamentarian could knock out some provisions. Both chambers must pass identical legislation for the president's signature, so intraparty negotiations over the final size and scope of the package will likely continue into December.

Related resources

Non-Mercer resources

- [HR 3684](#), the Infrastructure Investment and Jobs Act (Congress, Nov. 5, 2021)
- [Pub. L. No. 117-2](#), the American Rescue Plan Act of 2021 (Congress, March 11, 2021)

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- [Budget bill seeks retirement plan mandate, Roth conversion ban](#) (Oct. 5, 2021)
- [A user's guide to implementing ARPA's DB funding relief](#) (Aug. 20, 2021)
- [Infrastructure bill with extended interest rate relief passes Senate](#) (Aug. 11, 2021)
- [Pension funding relief, union plan reforms in aid bill near enactment](#) (March 10, 2021)

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