

IRS Releases Guidance on Floor Segment Rates Available Under Recently Passed Pension Reforms

August 22, 2012

Notice 2012-55 provides guidance on the 25-year average segment rates that are applied to adjust the otherwise applicable 24-month average segment rates that are used to compute, among other things, funding targets under defined benefit plans. The guidance reflects changes to the Internal Revenue Code and ERISA made by the recently enacted Moving Ahead for Progress in the 21st Century Act (MAP-21). MAP-21 included a pension funding stabilization provision which effectively puts a floor on the segment rates used for funding purposes, based on a historical 25-year average of segment rates (effectively decreasing the current funding costs). In the past, employers had to make pension fund liability calculations based on the segment rate average over the past two years. These rates have been historically low, which increases the amount employers need to commit to meet pension funding obligations. Under MAP-21, generally effective for plan years beginning on or after January 1, 2012, employers will have the option to use a rate based on a 25-year average. The Notice includes a table specifying the 24-month average segment rates as adjusted by the 25-year average segment rate corridors for the months from September 2011 through August 2012. A copy of the notice can be viewed [here](#).