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EMPLOYEE BENEFIT SYSTEMS, INC.

# HIGHWAY AND TRANSPORTATION FUNDING ACT OF 2014 (HATFA)

Presented by:

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## **HATFA Extends Initial MAP-21 Segment Rate Corridor Through 2017**

- PPA established specific interest rates for funding and benefit restrictions based on 24-month average corporate bond segment rates.
- MAP-21 established corridor (based on 25-year average segment rates) that was scheduled to widen each year from 90-110% in 2012 to 70-130% by 2016.
- HATFA extended the more narrow 90-110% corridor through 2017 and delayed widening the corridor by 5 years.



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## PPA and Notice 2007-81, 2007-44 I.R.B. 899

- 24-month average corporate bond segment rates decline in recent years resulting in higher minimum required contributions (MRC) and lower adjusted funding target attainment percentages (AFTAP).

<b>Valuation</b>	<b>430(h) Segment Rates</b>		
<b>Date</b>	<b>1<sup>st</sup></b>	<b>2<sup>nd</sup></b>	<b>3<sup>rd</sup></b>
<b>1/1/2010</b>	<b>4.60%</b>	<b>6.65%</b>	<b>6.76%</b>
<b>1/1/2011</b>	<b>2.94%</b>	<b>5.82%</b>	<b>6.46%</b>
<b>1/1/2012</b>	<b>1.98%</b>	<b>5.07%</b>	<b>6.19%</b>
<b>1/1/2013</b>	<b>1.62%</b>	<b>4.40%</b>	<b>5.45%</b>
<b>1/1/2014</b>	<b>1.25%</b>	<b>4.06%</b>	<b>5.08%</b>

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## MAP-21 and Notice 2012-55

- 24-month average segment rates under § 430(h)(2)(C)(i) through (iii) must be adjusted pursuant to § 430(h)(2)(C)(iv) by applicable percentage of corresponding 25-year average segment rates.
- Employers permitted to delay using new higher MAP-21 rates, for funding and Code § 436 benefit restrictions, until 2013 plan years to avoid revising valuation work and plan operations during 2012.
- Employers also permitted to use higher rates for 2012 funding purposes and delay implementation until 2013 for § 436 benefit restrictions.



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## HATFA and Notice 2014-48

- HATFA amended the applicable percentages under § 430(h)(2)(C)(iv). This change generally applies to plan years beginning on or after **January 1, 2013**.
- Employers permitted to delay using new higher HATFA rates, for funding and Code § 436 benefit restrictions, until 2014 plan years to avoid revising valuation work and plan operations during 2013.
- Employers also permitted to use higher rates for 2013 funding purposes and delay implementation until 2014 for § 436 benefit restrictions.



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## Changes to the Corridors

<b>Plan year beginning in</b>	<b>MAP-21 corridor range</b>	<b>HATFA corridor range</b>
<b>2012</b>	<b>90 to 110%</b>	<b>90 to 110%</b>
<b>2013</b>	<b>85 to 115%</b>	
<b>2014</b>	<b>80 to 120%</b>	
<b>2015</b>	<b>75 to 125%</b>	
<b>2016</b>	<b>70 to 130%</b>	
<b>2017</b>		
<b>2018</b>		<b>85 to 115%</b>
<b>2019</b>		<b>80 to 120%</b>
<b>2020</b>		<b>75 to 125%</b>
<b>2021 and later</b>		<b>70 to 130%</b>



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## 25-Year Segment Rates and Permissible Corridors for plan years beginning in 2013

	First Segment	Second Segment	Third Segment
25-year average rates	5.81	7.23	7.95
HATFA Permissible Corridors	<b>Min</b> 5.23	<b>6.51</b>	<b>7.16</b>
	to	to	to
MAP-21 Permissible Corridors	<b>Min</b> 4.94	<b>6.15</b>	<b>6.76</b>
	to	to	to
	<b>Max</b> 6.39	<b>7.95</b>	<b>8.75</b>
	<b>Max</b> 6.68	<b>8.31</b>	<b>9.14</b>



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## 25-Year Segment Rates and HATFA Permissible Corridors for plan years beginning in 2014

	First Segment	Second Segment	Third Segment
25-year average rates	5.54	7.02	7.77
HATFA Permissible Corridors	<b>Min</b> 4.99 to <b>Max</b> 6.09	<b>6.32</b> to 7.72	<b>6.99</b> to 8.55





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## What Do I Do?

### Plan Years Beginning 2013 – Use MAP-21 Rates Option

- You have option to use either MAP-21 or HATFA rates (new election form is available in the Release)
- You will **not** need the election form if the 2013 plan year is done and filed based on MAP-21 rates before 12/31/2014, in which case you have a deemed election to delay using the HATFA rates for both 430 and 436.



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## What Do I Do?

### Plan Years Beginning 2013 – Use MAP-21 Rates Option

- Deemed election to use MAP-21 rates occurs when a 2013 Schedule SB is filed using MAP-21 rates before 12/31/2014
- Deemed election results in using MAP-21 rates for both 430 and 436 purposes.



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## Option to Delay until 2014

If the 2013 valuation and AFTAP are already done using MAP-21 rates, and they will not be revised to use HATFA rates.

1. New release defaults to opt out of HATFA funding rates in 2013, and
2. New release also defaults to opt out of using HATFA rates for the 2013 AFTAP.



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## Option to Delay until 2014 (System Coding)

1 Plan / Sponsor | 2 Provisions | **3 Assumptions** | 4 Misc | 5 DB

### Post-Retirement Assumptions

Normal Form of Payment:  Spouse Setback:  Pct Married at Ret:

Fund Singles Option:  Optional Forms:

	Interest Rate	Mortality Table	Setback/Fwd(-/+)	Male Blend %
Actuarial Equiv	<input type="text" value="5"/>	<input type="text" value="G94 - 1994 Group Annuity Reserving Proj 2002"/>	M <input type="text" value="0"/> F <input type="text" value="0"/>	<input type="text" value="0"/>
Level Funding	<input type="text" value="5"/>	<input type="text" value="G94 - 1994 Group Annuity Reserving Proj 2002"/>	M <input type="text" value="0"/> F <input type="text" value="0"/>	<input type="text" value="0"/>
ASC	<input type="text" value="5"/>	<input type="text" value="G94 - 1994 Group Annuity Reserving Proj 2002"/>	M <input type="text" value="0"/> F <input type="text" value="0"/>	<input type="text" value="0"/>

Use Combined Mortality for Funding and PBGC  
 Use Post-Ret Mortality for Actuarial Adjustments  
 Discount Cash Flows Annually for Funding  
 Use Pre-Ret Assumptions for Actuarial Adjustments  
 Discount Cash Flows Monthly for Funding  
 Pymnts at Period End  Pay Yrs Certain at BOY  
 Use Commutation Factors and Age N/L for Funding  
 Use Full Yield Curve for Funding  
 Use Commutation Factors and Age in Completed Months  
 COLA:

Segment Rates	Seg 1	Seg 2	Seg 3
Funding	1.31	4.05	5.05
430 Funding	4.94	6.15	6.76
AFTAP	4.99	6.32	6.99
PBGC	1	3.57	4.77
417(e)	0.97	3.5	4.6
PBGC AFN	1.25	4.57	5.6

Lookback Months:

Do Not Use HATFA Funding Rates in 2013

Use 430(h) Funding Rate Transition Rule  
 Use Curr Yr Rates for EOY AFTAP  
 Use Funding Rates for PBGC (Alternate Method)

Second Month Prior to Plan Yr Beg:

Pre-Ret | Post-Ret | 410b/401a4 | 401(k/m) | Test Result



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## Option to Delay until 2014 (System Coding)

1 Plan / Sponsor	2 Provisions	3 Assumptions	4 Misc	5 DB
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**FTAP**  Do Not Use 2013 HATFA Rates for AFTAP

**Determination of Benefit Restrictions for Next Plan Year: 2014**  
 If AFTAP is less than 80%, restrictions apply. If less than 60%, additional restrictions apply. Assets (market or average) adjusted by discounted receivable contributions received by AFTAP date. If FTAP Exempt is less than 100% (Applicable Pct), then assets are reduced by COB and PFB for the AFTAP. IRC 436(i)

AFTAP	61.04	NHCE Annuity Purchases:	Prior Year	0	2 Yrs Ago	0	
FTAP Exempt	79.52	2009	0	2008	0	Applicable Pct	100

Date of AFTAP Certification: / /  
 Effective Date of Benefit Restrictions: / /

Presumed AFTAP at 1st of Year: 119.34  
 Presumed AFTAP: 119.34  
 Prior Year AFTAP: 119.34

Use Presumed AFTAP (Prior Year AFTAP - 10%)  
 Date of Presumed AFTAP, 4th Mo: 04/01/2014

Plan Permits New Annuity Starting Dates After Restriction

**Determination of At-Risk Status for Current Plan Year: 2013**  
 If FTAP is less than 80% (Transition Pct) and FTAP At-Risk is less than 70%, then the plan is At-Risk next year. IRC 430(i)

FTAP	62.92	Prior Year	134.93	Transition Pct	80
FTAP At-Risk	56.17	Prior Year	113.57		

**Determination of Ability to Use Balances for Current Plan Year: 2013**  
 If Funding Percentage (Assets reduced by Prefunding Balance divided by Funding Target) is 80% or more, then, next year, COB and PFB may be used for MRC. IRC 430(f)(3)

Funding Percentage	62.96	Prior Year	134.97
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Min/Max  
 Prefunding  
 Shortfall  
 Contrib  
 FTAP  
 PFB



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## What Do I Do?

### Plan Years Beginning 2013 – Use HATFA Rates Option

- You will also **not** need the election form if you rerun your 2013 valuation using HATFA rates
- You may wish to rerun a 2013 plan year with HATFA rates in order to
  1. Reduce the minimum required contribution
  2. Increase AFTAP percentage



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## What Do I Do?

### Plan Years Beginning 2013 – Use HATFA Rates Option

- You can still use HATFA rates even after a deemed election to delay using them
- You also still have the option to use HATFA rates for funding even if you used the MAP-21 rates for the AFTAP



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## What Do I Do?

### Plan Years Beginning 2013 – Use HATFA Rates Option

- Revoking a deemed election can be accomplished by either one of the following two actions:
  1. File amended 2013 Schedule SB based on HATFA rates by 12/31/2014, or
  2. File notice to enrolled actuary, plan administrator, and PBGC by 12/31/2014 and file amended Schedule SB by deadline for following plan year.





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## What Do I Do?

Plan Years Beginning 2013 – Use HATFA Rates Option

Other options are available if you are using HATFA rates for funding (provided you don't create any benefit restrictions or unpaid contributions as a result).

1. Reversal of election to reduce balances,
2. Late election to add excess contributions to PFB,
3. Redesignation of section 436 contributions, or
4. Redesignation of 2013 contributions as 2014 contribution.



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## What Do I Do?

Plan Year Beginning 2014 - Must use HATFA Rates

- Valuation (BOY) and 2014 AFTAP's must be redone
- No coding necessary, system defaults to HATFA rate



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## System Coding

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### Post-Retirement Assumptions

Normal Form of Payment:

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ASC	<input type="text" value="5"/>	<input type="text" value="G94 - 1994 Group Annuity Reserving Proj 2002"/>	M <input type="text" value="0"/> F <input type="text" value="0"/>	<input type="text" value="0"/>

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Second Month Prior to Plan Yr Beg:

Pre-Ret | Post-Ret | 410b/401a4 | 401(k/m) | Test Result



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## HATFA Options for 2013

<b>Minimum Funding</b>	<b>AFTAP</b>	<b>Plan Sponsor Election Required</b>
MAP-21	MAP-21	YES *
HATFA	MAP-21	YES
HATFA	HATFA	NO

\* Not required if 2013 Schedule SB is filed by 12/31/2014



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## Option to Delay until 2014 Election

The screenshot displays the 'Valuation' section of the DATAIR software interface. On the left, a list of options is shown under the 'Valuation' tab, with 'HATFA/MAP-21 Funding Election Form' selected. On the right, the 'Select Records - HATFA/MAP-21 Funding Election Form' section lists several options, each with an unchecked checkbox. A blue callout box points to these checkboxes with the text: 'Leave these options unchecked for the HATFA election.'

**Valuation**

- AFTAP Development
- Alternative Amortization Election Form
- ASC 715
- ASC 715 Assumptions and Methods
- ASC 715 Emerging Liabilities
- Asset Statement
- Contribution Deposited/Due
- Contribution Requirements
- Election to Add to Prefunding Balance
- Election to Apply Balances
- Election to Reduce Balances
- Funding Election Form
- Funding Target Attainment Percentages
- HATFA/MAP-21 Funding Election Form
- Notice of Alternative Amortization Election
- Notice of Funding Benefit Restrictions
- PBGC Annual Funding Notice
- PBGC Premium
- Present Value of Accrued Benefits
- Revocation of Standing Election Form
- Schedule of Post Retirement Participants
- Schedule of Retired or Separated Participants
- Standing Election Form

**Select Records - HATFA/MAP-21 Funding Election Form**

- Election to retroactively apply AFTAP using MAP-21 rates to first certification
- Election to reverse voluntary election to reduce balances
- Election to reverse deemed election to reduce balances
- Election to redesignate 2011 contribution(s) to 2012
- Election to apply Section 436 contribution(s) to MRC
- Election to revoke full yield curve to use segment rates unadjusted for MAP-21 for funding and AFTAP
- Election to revoke full yield curve to use segment rates adjusted for MAP-21 for funding only
- Election to revoke full yield curve to use segment rates adjusted for MAP-21 for funding and AFTAP

Printer | Select | Sort | Order | Error Log



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## Option to Delay until 2014 Election

Plan sponsor should check the first box if opting out of HATFA for both funding and AFTAP. The second box is for opting out of HATFA for the AFTAP only.

**HATFA Funding Election Form 430(h) and 436  
For the plan year 01/01/2013 through 12/31/2013**

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Pursuant to the prescribed funding method under Internal Revenue Code Section 430, and as permitted under the Highway and Transportation Funding Act of 2014 (HATFA), I, as the Plan Sponsor, hereby provide you, the plan's Enrolled Actuary and, additionally, to the Plan Administrator the following election(s) for the above named plan and plan year:

HATFA Application for 2013

- Use segment rates without HATFA modifications for minimum funding and AFTAP
- Use HATFA segment rates for minimum funding but use segment rates without HATFA modifications for AFTAP

\_\_\_\_\_  
Plan Sponsor Signature

\_\_\_\_\_  
Date



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## Generate Election to Opt-Out of HATFA from Multi-Plan Operations

- Create a Report Group with the HATFA Funding Election Form
- In Activities, select Multi-Plan Operations and Reports
- See the Handout Multi-Plan Operations for detailed instructions



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# HATFA

Questions?