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DOL Issues Model Annual Funding Notices Reflecting SECURE 2.0 Changes

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On April 3, 2025, the US Department of Labor ("DOL") released Field Assistance Bulletin No. 2025-02 ("FAB 2025-02"), which provides guidance regarding new content requirements that apply to pension plans' annual funding notices ("AFNs") under the SECURE 2.0 Act of 2022 ("SECURE 2.0") and includes model AFNs for single-employer and multiemployer plans.

SECURE 2.0 made several changes to the information that must be included in AFNs effective for plan years beginning after December 31, 2023. For calendar-year plans, the new requirements first apply to the 2024 plan year AFN, which generally must be distributed to participants by April 30, 2025.

The DOL has stated that plan administrators are no longer permitted to rely on a pre-SECURE 2.0 model AFN. The DOL recognizes that some actuaries have already prepared AFNs for the 2024 plan year, and in some cases, the 2024 AFN may already be distributed. However, the DOL "expects the plan administrator to consider the guidance in this Bulletin in evaluating whether the disclosures were consistent with a reasonable, good faith interpretation of section 101(f), as amended, and to take appropriate corrective action to the extent the plan administrator concludes that the disclosures did not meet that standard".

SECURE 2.0 requires plan assets and liabilities to be reported on a market-value basis as of the last day of the notice year and the two preceding plan years. Similarly, SECURE 2.0 requires certain demographic information to be reported as of the last day of the notice year and the two preceding plan years. In general, the DOL permits the use of reasonable, good faith estimates of this information for the notice year. However, for the two preceding years, final information (which should generally conform to the figures reported on Forms 5500) must be used.

If estimated demographic data is used, that fact must be specifically disclosed in the notice. Because small plans have more time to prepare and distribute AFNs after the close of the plan year, the DOL does not permit small plans to report estimated demographic data even for the notice year.

SECURE 2.0 requires reporting of the "average return on assets", which is not defined by the statute. FAB 2025-02 permits the "average return on assets" to be reported by either using the same method as for determining the "actual rate of return" as reported on Line 10 of Schedule SB or through a simplified formula.

Given the impending April 30 deadline for furnishing the 2024 AFN, plan administrators should promptly consult with their actuaries as to whether any modifications are needed to their draft AFNs to take into the DOL's guidance under FAB 2025-02.