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SECURE 2.0's Required Changes to Annual Funding Notices Become Effective in 2025

Employee Benefits & Executive Compensation on **February 28, 2025**

SECURE 2.0 introduced many changes for retirement plans, including updated disclosure requirements for a defined benefit plan's annual funding notice (AFN). These updated AFN disclosure requirements apply for all plan years beginning after December 31, 2023. For calendar-year defined benefit plans, the first AFNs subject to the revised requirements will be due by April 30, 2025.[1]

Prior to SECURE 2.0, AFNs were generally required to contain information about the plan's funded status, investment policies, regulatory filings, participant demographics, and other key information to ensure transparency and compliance. Though the goal of keeping relevant parties informed through AFNs remains the same, some of the requirements for the specific information to be included have changed, including:

Information Required:	Before SECURE 2.0 Changes:	Now in effect for plan years beginning after December 31, 2023:
Funded Status	Plans required to provide a statement regarding the plan's "funding target attainment percentage" (for single employer plans) or the plan's funded percentage (for multiemployer plans) for the plan year and the two preceding plan years.	Single employer plans no longer report the "funding target attainment percentage" which was determined as of the first day of each plan year, and instead now must report the "percentage of plan liabilities funded" which, along with other changes (including the interest rates used to calculate the plan liabilities), uses ***year end*** information.

Demographic Information	Plans required to disclose the number of plan participants, broken out by active employees, retirees receiving benefits, terminated employees entitled to future benefits, and beneficiaries ***as determined on the first day of the plan year.***	Required information is the same, but now must be ***determined as of the last day of each of the three prior plan years***, and must be disclosed in a ***tabular format***.
Funding Policy	Plans required to provide a statement setting forth the funding policy of the plan and the asset allocation of investment under the plan.	Plans now must additionally disclose the ***"average return on assets"*** for the notice year.
PBGC Guarantees	Plans required to provide a general description regarding PBGC guarantees, including the circumstances in which the guarantees will apply and an explanation regarding limits of the guarantees.	Single employer plans now must additionally disclose that "if plan assets are determined to be sufficient to pay vested benefits that are not guaranteed by the [PBGC], participants and beneficiaries may receive benefits in excess of the guaranteed amount," along with a disclosure that in the event of a plan's termination, the PBGC's calculation of the plan's liabilities may be greater than what is disclosed in the AFN (which would mean that the funding status is lower than what is disclosed in the AFN).

Plan sponsors should carefully review the required changes under SECURE 2.0 when preparing AFNs for defined benefit plans with plan years beginning after December 31, 2023. There is currently no updated model notice from the Department of Labor, though a model incorporating the SECURE 2.0 changes could be released prior to April 30, 2025.

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[1] Most defined benefit plans that are covered by the Pension Benefit Guaranty Corporation (PBGC) are required under ERISA § 101(f)(3) to send out an AFN to participants for each plan year within 120 days after the end of the plan year.

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