



PBGC extends due date for inclusion of prior year contributions

On September 23, the Pension Benefit Guaranty Corporation issued guidance and welcome relief related to the timing of contributions includible in the asset value used to determine variable rate premiums due in 2020. This guidance applies to single-employer defined benefit plan sponsors who are taking advantage of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) delayed due dates for contributions.

Background and overview

The CARES Act extended the due date for contributions that would have otherwise been due in 2020 until January 1, 2021. As a result of the CARES Act and PBGC guidance in July, plans had an additional month to make prior year contributions that will be reflected in the variable rate premium calculation.

In July, the PBGC provided guidance that included the following example for a calendar year plan:

- The 2020 premium is due October 15, 2020.
- If not for the CARES Act, the last date for making a contribution for the 2019 plan year would have been September 15, 2020. Because of the CARES Act, the last date for making a required contribution for the 2019 plan year is January 1, 2021.
- Assuming the premium filing is submitted on October 15, 2020, the discounted value of contributions for 2019 received after September 15, 2020 and on or before October 15, 2020, are also included in the asset value for variable rate premium purposes. The prior guidance illustrated that a plan administrator may not include 2019 contributions made after October 15, 2020 and additionally, a plan administrator may not amend a filing to reflect prior year contributions received after the premium is filed.

In Technical Update 20-2, PBGC provided relief that for premium filings due on or after March 1, 2020 and before January 1, 2021, the date by which prior year contributions must be received by the plan to be included in plan assets under the PBGC premium rates rules is extended to January 1, 2021. This relief is welcome news for plan sponsors, as it provides additional time to make contributions that may reduce PBGC variable-rate premiums. If such a contribution is made after the premium is filed and on or before January 1, 2021, the premium filing may be amended to revise the originally reported asset value and resulting variable-rate premium.

This relief has no effect on premium due dates (e.g., for calendar year plans, the 2020 premium remains October 15, 2020) and does not permit a premium filing to reflect a contribution that has not yet been made.

Plan administrators that want to take advantage of this relief must amend their premium filing by February 1, 2021, to revise the variable-rate premium data accordingly after eligible prior year contributions are received by the plan. Once the amended filing is received, processed, and reviewed, the excess amount paid will be refunded to the plan. For more information on the instructions regarding the filing, see [Technical Update 20-2](#).

Next steps

If you have any questions regarding the information contained in this publication, you should contact your plan's enrolled actuary. Prudential Retirement's enrolled actuaries are prepared to respond to your inquiries regarding the effect of this new guidance on your plan.

Compliance Bulletin by Prudential Retirement

The Pension Analyst is published by Prudential Retirement, a Prudential Financial business, to provide clients with information on current legislation and regulatory developments affecting retirement plans. This publication is distributed with the understanding that Prudential Retirement is not rendering tax or legal advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.

©2020 Prudential Financial, Inc. and its related entities.

Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.