



PENSION ANALYST COMPLIANCE BULLETIN



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PBGC issues final rules on premium filings for large defined benefit plans

On January 3, 2014, the Pension Benefit Guaranty Corporation (PBGC) issued final regulations that move the flat-rate premium due date for large defined benefit plans to the same date as the variable rate premium due date. As a result, for large calendar-year plans beginning with the 2014 plan year, the 2014 flat rate premium will be due on October 15, 2014. Large plans are those plans that have 500 or more participants. The participant count date is generally the last day of the plan year preceding the premium payment year.

Background

Sponsors of qualified defined benefit plans that are subject to the ERISA plan termination insurance rules must file and pay annual plan termination insurance premiums to the Pension Benefit Guaranty Corporation (PBGC). In the past, premium due dates have depended on the size of the plan and the type of premium. For example, flat-rate premiums for large plans were due two months after the beginning of the premium payment year (the end of February for calendar-year plans), while variable rate premiums for large plans are due 9½ calendar months after the beginning of the premium payment year (October 15 for calendar-year plans). Many large plans estimated the flat-rate premiums that were due by the end of February since it was often difficult to determine the number of participants so soon after the close of the prior plan year.

On July 23, 2013, the PBGC proposed regulations to simplify the premium due date rules by providing that all annual premiums for all plans, regardless of size, will be due on the same date. The proposed rules coordinated the due date for terminating plans with the termination process, provided relief from penalties for late payments, and made other changes, including coordinating changes with the Moving Ahead for Progress in the 21st Century Act ("MAP 21"). As part of this simplification process, the proposed rules eliminated the separate due date for the payment of flat-rate premiums for large plans.

Final rule

The first large-plan flat rate premium filing deadline for 2014 is February 28, 2014. However, since the provision of the proposed rules setting the flat-rate premium due date for large plans later in the year is the most time-sensitive proposal the PBGC is finalizing this one change separately from the other proposed rules (set out in the PBGC's July 23, 2013 proposed regulation). Thus, the 2014 flat-rate premiums for large calendar-year plans will now be due on October 15, 2014. This final rule simplifies plan administration by eliminating the estimated premium filing for large plans. Eliminating the need for flat-rate premium estimates also eliminates interest payments on shortfalls in those estimates.

Future guidance

The PBGC expects to finalize the remaining July 23, 2013 proposed regulations in a separate final rule. The final rule will be issued in time to provide all plans with sufficient advance guidance to comply with the final regulations.

Next steps

Plans sponsors should read the guidance discussed in this newsletter. If you have questions about the revised PBGC flat-rate premium payment deadline for large plans, 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

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