

*Pension*  
ANALYST

# Compliance Bulletin

August 2006



## PBGC Finalizes Electronic Premium Filing Rules

Sponsors of qualified defined benefit plans must file and pay annual premiums to the Pension Benefit Guaranty Corporation (PBGC). Premium filings must include information to identify the plans for which premiums are paid and to demonstrate that the amounts paid are correct. Historically, the PBGC has received volumes of paper premium submissions that cause problems for both the PBGC and premium filers resulting in processing delays, erroneous filing histories and issuance of improper bills for premiums.

In an effort to reduce the volume of paper submissions and streamline the premium filing process, the PBGC has now published final rules requiring all plans to file premium information electronically. Actual premium payments may be made electronically or by check or wire transfer.

The electronic filing requirement becomes effective for “large” plans (with 500 or more participants) starting with filings for the 2006 plan year that are made on or after July 1, 2006. The requirement applies to all plans, regardless of participant size, for plan years beginning on or after January 1, 2007.

*For example:*

- *A large plan with a plan year starting June 1, 2006, and a filing due date of July 31, 2006, could have filed paper Form 1-ES before July 1, 2006, but after July 1, 2006 must make its estimated filing electronically.*
- *A large plan with a plan year starting on July 1, 2006, must make its estimated filing electronically.*
- *A small plan (fewer than 500 participants) with a calendar plan year will have to make its first electronic filing for the filing due in October 2007. This is the earliest electronic filing due date for small plans.*

### Electronic Filing Methods

The PBGC offers three options to electronically file premium information:

- Option 1: Manual use of the PBGC’s online application, [My Plan Administration Account \(MY PAA\)](#). MY PAA is a secure Web-based application and includes a step-by-step process that allows plan sponsors to enter their plan’s filing data directly into the PBGC’s online application that is equivalent to the existing premium forms. In this option, the necessary information would be typed into the Web-based system.
- Option 2: Use of private-sector software, either purchased from a commercial developer or developed “in-house” that has been updated to meet the PBGC’s requirements. The PBGC has issued [standards](#)

for developing a computer file containing premium filing information and has also provided [guidance](#) for software developers. MY PAA allows plan sponsors to directly upload premium filings created with private-sector software. The uploaded files are then immediately transferred to the PBGC's premium system for processing and posting to the plan's account, with no opportunity to edit or enter any additional information.

- Option 3: Use of MY PAA to import premium filing information that has been prepared with private-sector software into the MY PAA data entry and editing screens. With this option, the imported information can still be edited prior to submission of the filing. As with Option 2, the private-sector software must comply with PBGC standards.

The PBGC has developed [checklists](#) for each of the above filing options to assist plan sponsors in the electronic filing process.

In addition, the PBGC has enhanced MY PAA to accept batch filings (multiple filings prepared with private-sector software and transmitted to the PBGC in a single computer file) for both uploads and imports.

The PBGC has indicated that it will grant case-by-case exemptions to the electronic filing requirement in appropriate circumstances. Each case will be judged on the basis of its own facts and circumstances. The PBGC may provide more guidance in the future as experience with exemption requests is gained.

The electronic filing requirement does not apply to information submitted in response to a PBGC request in connection with a premium compliance review.

## Certification

MY PAA provides an electronic certification method for filings created manually within the online application (Option 1). Before such a filing can be submitted, the plan administrator, and where appropriate, the plan actuary, must provide a certification using an authentication process that establishes the identity of the person making the filing. The import method (Option 3) uses a similar certification procedure. Under the MY PAA and import methods, all certifications must be provided before the filing is submitted.

The certification process for uploaded filings (Option 2) requires the plan administrator and, where appropriate, the plan actuary, to provide certifications only on hardcopies of the forms. These certified hardcopy forms must be preserved with the plan's records for six years, though they need not be transmitted to the PBGC at the time of upload. However, at the time of the upload, the identity of the uploader is verified in a manner similar to that used for filings created within MY PAA.

## Premium Payment Options

The final rules do not require electronic payment of premiums, only the electronic filing of the premium information. Plan sponsors can elect to pay premiums either through:

- MY PAA (by credit card, electronic check, or Automated Clearing House (ACH) transfer), or
- Outside MY PAA (by paper check or wire transfer).

However, the PBGC has stated that electronic filing of premium payments may be required in the future as electronic filings become more prevalent and plan sponsors become comfortable with the process.

## Next Steps

The plan's enrolled actuary is in the best position to provide assistance regarding the PBGC's electronic filing requirements. You should contact the plan's enrolled actuary to discuss these filing requirements. In addition, plan sponsors with questions about MY PAA should call the PBGC's toll-free practitioner number at 1-800-877-8339 (and select the "premium" option).

*Prudential Financial is a service mark of The Prudential Insurance Company of America, Newark, NJ and its affiliates. The Pension Analyst is published by Prudential Retirement, a Prudential Financial business, to provide clients with information on current legislation and regulatory developments affecting qualified retirement plans. This publication is distributed with the understanding that Prudential Retirement is not rendering legal advice. Plan sponsors should consult their attorneys about the application of any law to their retirement plans.*