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PENSION ANALYST
COMPLIANCE BULLETIN

Prudential
Bring Your Challenges

New law impacts defined benefit multiemployer plans

On July 6, 2012, President Obama signed into law the "Moving Ahead for Progress in the 21st Century Act (MAP-21)." Although the new law primarily provides highway funding and student loan relief, it also contains several provisions that impact defined benefit plans. For multiemployer plans, the new law increases premiums paid to the Pension Benefit Guaranty Corporation (PBGC) and extends through December 31, 2021, the ability of employers to transfer excess pension assets to fund retiree benefits, including retiree health and life insurance.

MAP-21 also includes funding relief provisions for single-employer plans. A separate publication discusses the changes affecting those plans.

PBGC provisions

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 PBGC.

For multiemployer plans, a flat-rate premium is due for each individual who is a participant in the plan during the applicable plan year. The participant count must be taken as of the "premium snapshot date," which is generally the last day of the plan year preceding the premium payment year. Currently, the PBGC flat-rate premium for each individual is $9.

MAP-21 increases the PBGC flat-rate premium for 2013 to $12 per participant. The premium will be adjusted for inflation in later years.

The new law also requires the PBGC to establish a new Participant and Plan Sponsor Advocate position. This individual will act as a liaison between the PBGC and participants in terminated pension plans and will assist plan sponsors in resolving disputes.

Transfer of excess assets

Current law permits a plan with assets exceeding 125% of the plan's current liability (or funding target) to transfer retiree medical costs to a health account under the plan. This provision was scheduled to expire after December 31, 2013. However, MAP-21 extends through December 31, 2021, the ability of plan sponsors to transfer excess assets to a retiree health account.

In addition, the new law extends through December 31, 2021, the ability to transfer assets to fund the purchase of retiree group-term life insurance in accordance with the following rules:

- The assets transferred for the purchase of group-term life insurance must be held in a separate account within the plan, which is separate from both retiree medical account assets and basic defined benefit plan assets;
- The group-term life insurance purchased with transferred assets cannot exceed $50,000; and
- The accounts must comply with various limits on frequency of transfers. These limits are applied separately to the retiree medical account and the retiree group-term life account.

Next steps

Prudential Retirement will continue to monitor and keep you informed as additional guidance is made available that clarifies the provisions of MAP-21 discussed in this *Compliance Bulletin.*

If you have questions about the new law and its impact on your plan, you should contact the plan's enrolled actuary.

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