

PBGC SIMPLIFIES PREMIUM PAYMENTS FOR LARGE PLANS

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On January 3, 2014, the Pension Benefit Guaranty Corporation published a rule changing the due date for flat rate premium payments by large defined benefit plans with 500 or more participants. Effective immediately for plan years beginning on or after January 1, 2014, the flat rate premium for large plans will be due 9½ months after the beginning of the plan year, which is the same date that the variable rate premium is due. As a result, the flat rate premium for large calendar year plans will be due on October 15, 2014.

This change should simplify the administration of premium payments for large plans and reduce potential penalties and interest for late payments. Previously, large plans have been required to pay the flat rate premium by the end of the second month of the plan year. Since the flat rate premium is generally based on the number of participants in the plan on the last day of the preceding plan year, most large plans have had difficulty in determining their premium by the due date. In order to avoid late payment penalties, those plans have been required to make estimated payments by the due date, and subsequently make a reconciling payment for any shortfall by the due date for the variable rate premium. Those reconciling payments created administrative burdens by requiring a second filing for the flat rate premium, and were also subject to interest, which, unlike the late payment penalties, could not be waived. The PBGC estimates that the new due date for flat rate premiums will save large plans an average of \$1,050 in administrative expenses and \$11,300 in interest.

The deferral of large plans' flat rate premiums was part of a set of rules proposed by the PBGC in 2013 to make the premium payment process more efficient and less burdensome. Because the flat rate premiums for large calendar year plans would otherwise have been due on February 28, 2014, this rule was the first to be finalized. Other proposed rules would make premium due dates for all plans uniform, coordinate the due date for terminating plans with the termination process, clarify the variable rate premium rules, provide relief from late payment penalties and make other changes. The PBGC plans to finalize those other proposed rules in time to provide adequate advance notice for compliance in 2014.

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