

Note: the following reflects updates to the 2008 EA-2B course outline reflecting the 2008 instructions for the PBGC premium filings, released by the PBGC in March of 2008. It is unlikely that this would be tested on the 2008 EA-2B exam due to the lateness of its release.

- PBGC premiums (ERISA section 4006)
 - Amount of premium
 - Single employer plans
 - Flat rate premium is \$33 per participant for 2008. The flat premium is subject to an annual cost of living increase.
 - Variable rate premium
 - ❖ Equal to .9% of the unfunded vested benefits as of the first day of the premium year (or generally the first day of the year for a new plan). The unfunded vested benefits is equal to the Premium Funding Target less the market value of the assets.
 - ❖ Beginning in 2007, the variable rate premium for employers with 25 or fewer **employees** on the first day of the plan year cannot exceed \$5 per **participant** (as of the close of the prior plan year) squared (square the number of participants before multiplying by \$5). The entire controlled group must be counted in determining whether there are 25 or fewer employees.
 - ❖ Unfunded vested benefits are rounded up to next multiple of \$1,000.
 - ❖ Interest rate used for the PBGC required interest rate (RIR) is based upon the segmented interest rates of IRC section 430(h)(2)(C). Note that prior to 2008, different interest rates were used.

❖ Standard Premium Funding Target

- Interest rate based upon the segmented rates published for the month prior to the first day of the premium year. For example, for the 2008 calendar year, the December, 2007 segmented rates would be used.

❖ Alternative Premium Funding Target

- Interest rate based upon the segmented rates used in the valuation for the premium year.
- If the alternative premium funding target is elected to be used, the election cannot be revoked for 5 years. In other words, once elected, the alternative premium funding target must be used for a minimum of 5 consecutive years.

❖ Market value of assets

- Assets are adjusted by including the receivable contributions for the prior year, discounted with interest at the effective interest rate (used for minimum funding purposes) for the year. For the 2008 premium payment year, no discounting of the receivable contribution is required.
- Assets are not reduced by any credit balances (prefunding balance or funding standard carryover balance for years after 2007).

- ❖ There are several exemptions from the variable rate premium.
 - No participants have vested benefits.
 - The plan is a fully insured plan.
 - The plan has issued the notice of intent to terminate as a standard termination.
- Premium surcharge
 - ❖ Beginning in 2006, there is a premium surcharge for plans terminating as a distress or involuntary termination.
 - ❖ Additional premium is equal to \$1,250 multiplied by the number of plan participants on the day prior to the plan termination date.
 - ❖ The surcharge is payable for each of the next 3 years, and is in addition to any other premiums. The initial due date for the surcharge is 30 days after the beginning of the month following the plan termination date. The subsequent year due dates are on the anniversary of the initial due date.
- Multiemployer plans
 - Flat rate premium is \$9.00 per participant for 2008. The flat rate premium is subject to an annual cost of living increase.
 - There is no variable rate premium for multiemployer plans.
 - The premium surcharge does not apply to multiemployer plans.

- Premium filing due dates
 - General rules for years beginning in 2008
 - For small plans, the due date is 16 months from the beginning of the plan year.
 - ❖ A small plan is defined as a plan with fewer than 100 participants as of the last day of the **second** prior year.
 - For mid-size plans, there are two due dates.
 - ❖ The flat rate premium due date is 9½ months from the beginning of the plan year.
 - ❖ The variable rate premium due date is also 9½ months from the beginning of the plan year. However, if the Premium Funding Target is not known as of the due date, and estimated variable rate premium can be paid, with the final variable premium due 16 months from the beginning of the plan year. In this case, late interest must be paid on the amount of the variable premium in excess of the estimate.
 - ❖ A mid-size plan is defined as a plan with at least 100 and fewer than 500 participants as of the last day of the **second** prior year.

- For large plans with 500 or more participants, there are two due dates.
 - ❖ The flat rate premium due date is 2 months from the beginning of the plan year. However, if the final flat rate premium is not known, an estimate can be paid and the final flat rate premium can be paid 9½ months from the beginning of the plan year.
 - ❖ The variable rate premium due date is the same as for mid-size plans.
 - ❖ A large plan is defined as a plan with at least 500 participants as of the last day of the **second** prior year.
- If a plan year does not begin on the first day of a month, the due date is based upon the beginning of the following month.
- Note that although the participant count for determining the size of the plan is as of the end of the second prior year, the participant count for determining the premium itself is the count as of the end of the prior year.
- In the first year of a plan, premiums are generally due 16 months from the beginning of the plan year.
 - If the adoption date of the plan is less than 90 days before the premium due date, then the premiums are due 90 days after the plan adoption date.
 - The participant count for the first year of the plan is as of the first day of the year.

- Short plan years
 - The premium due date is determined in the same way for a short year as it is for a full year. However, the due date cannot be less than 30 days after the amendment is adopted changing the plan year.
 - The premium can be pro-rated by multiplying it by a fraction, the numerator being the total plan months (and fractions of months) that the plan was in effect, and the denominator being 12.
- Premiums with due dates on a Saturday, Sunday or Federal Holiday are due on the next business day.
- Participant counts
 - Participant count date
 - Generally the last day of the prior plan year for determining number of participants to be included in the calculation of the premium.
 - For new plans, the participant count is determined on the first day of the plan year.
 - For non-deminimis merger and spinoff situations, the participant count is determined as of the first day of the plan year.
 - All participants with a benefit liability are counted for purposes of premium payments.
 - Vested and non-vested benefits are included.
 - Ancillary benefits are included.
 - Terminated participants.
 - Terminated participants are not counted if they are non-vested upon a one-year break in service. However, if the plan specifies that a period of time must be met before they are deemed to be cashed out, then they are counted only until that time frame is met.
 - Participants with non-vested benefits are not counted upon death.