

## Corrections and Additions to EA-2L Course Outline and Problems Spring, 2017

Page 449: The PBGC has reduced the penalty for late premium payment, effective for plan years beginning after 2015. The outline reflects the old penalty schedule. The new schedule generally reduces the penalty to half of the old penalty, and eliminates the \$25 minimum penalty. The following describes the new penalty rules.

- Effective for plan years beginning after 2015, the penalty is generally  $\frac{1}{2}\%$  of the late premium per month (to a maximum of 25% of the late premium) if the late payment is made no later than the date that the PBGC issues written notification that there is a premium delinquency, and  $2\frac{1}{2}\%$  if the late payment is made after that notification (to a maximum of 50% of the late premium).
- In certain situations, the PBGC may grant a full waiver of the penalties.
- A partial penalty waiver may be available for plans that do not self-correct (that is, the late payment is made after PBGC notification of a premium delinquency). If two conditions are satisfied, then the penalty will be reduced by 80% (essentially reducing the penalty to equal the penalty percentages --  $\frac{1}{2}\%$  and 25% -- as if the plan did self-correct).
  - The first condition is that the plan must have 5 years of premium compliance (or fewer years if the plan has been in existence for less than 5 years). This means that in each of the prior years, the plan either timely filed its premiums, or there was a waiver of the entire penalty.
  - The second condition is that the plan must pay the penalty within 30 days of notification of the premium delinquency.