



PBGC Premiums for 2014 and Later Years

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Agenda



Focusing solely on small plans

- Changes to calculations
- New due dates
- Rate increases
- New way to pay

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ASPPA COLLEGE OF PENSION ACTUARIES

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Definition of Small Plan

- Participant count
 - Old rules – fewer than 100 participants
 - New rules – 100 or fewer than 100 participants
- When to count (for determining if Small Plan)
 - Old rules – participant count date for prior year's flat-rate premium
 - New rules – participant count date for current year's flat rate premium
- New rule based on valuation date
 - A plan is small for premium purposes, regardless of participant count if it has a funding valuation date for the current year other than the first day of the plan year
 - Will rarely come into play

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Change to how VRP is Determined

- Impetus for change
 - Some small plan actuaries reported difficulty completing valuation by premium due date (e.g., 4/30 after year-end for calendar year plans)
 - ASPPA/ACOPA reported timing issues weren't limited to plans with year-end valuation dates
- PBGC's solution
 - Lookback rule – have small plans use prior year's valuation results as basis for current year's VRP

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Example — Calendar Year Plan

- Year-end valuation date
 - UVB valuation date for 2014 VRP is 12/31/2013
 - Would have been 12/31/2014 under old rules
- Beginning of year valuation date
 - UVB valuation date for 2014 VRP is 1/1/2013
 - Would have been 1/1/2014 under old rules
- As a result of change, 2013 UVBs are used to determine both 2013 and 2014 VRP
- No change to participant count date
 - Regardless of valuation date, count participants on day before plan year begins

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Special rules apply to new plans.
Will be discussed later

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No other changes to VRP Calculations

- No change to Alternative Premium Funding Target Rules
 - Still not able to use Sch SB numbers MAP-21 stabilization rules don't apply for VRP purposes
 - APFT election must stay in effect for at least five years
 - Elections may be revoked for 2014 if election was first made for 2008 or 2009
- Small employer cap still applies
 - \$5 times participant count times participant count
- MAP-21 cap still applies
 - Very unlikely to affect VRP
 - 2014 cap is \$412 times participant count
- No change to how assets are determined

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Revised Due Dates

Using calendar year plan to illustrate concept

- Impetus for change
 - Pre-PPA premium filings for plans of all sizes were due 10/15
 - Post-PPA
 - Due date for mid-sized and large plans remained at 10/15
 - Small plans given an additional 6½ months because it would have been impossible for plans with val. dates after 10/15 to meet 10/15 due date
 - Given new lookback rule, small plans no longer need extra 6½ months
- Revised due date structure
 - 15th day of the 10th full calendar month that begins on or after the first day of the plan year (10/15 for calendar-year plans)
 - As with old rules, due date extended to the next business day if date falls on a weekend or federal holiday
 - Due date for short plan years might be after plan year

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Special rules apply to new plans and terminating plans.
Will be discussed later

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Revised Due Dates –cont.

Using calendar year plan to illustrate concept

- New structure streamlines PBGC and 5500 filings (assuming 5500 extension)
 - PBGC filing for current year and 5500 for prior year are due at same time and are generally based on same valuation
- Small plan transition rule for 2014 premiums
 - In response to ASPPA/ACOPA comment on proposed regulation
 - 2014 due date delayed to 15th day of the 14th full calendar month
 - 2/17/2015 for calendar-year plans
 - 2/15 is a Sunday
 - 2/16 is a holiday

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Will be discussed later

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2014 VRPs

Standard vs. Alternative under Lookback Rule

	Standard	Alternative
UVB Valuation Date	Funding valuation date for 2013	Same as standard
Benefits reflected in Premium Funding Target	Vested portion of benefits included in funding target (for MRC purposes) for 2013 plan year	Same as standard
Discount rate(s) used to determine UVBs	December 2012 spot segment rates	Whatever was used for funding purposes for 2013 plan year, but w/o regard to MAP-21 stabilization
All other assumptions	Whatever was used for funding purposes for 2013 plan year	Same as standard

1. Table entries assume plan is not a New or Newly Covered Plan
2. Regardless of how VRP is determined, participant count date (for flat-rate premium purposes) is 12/31/2013

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Opting Out of Lookback Rule

- Impetus for opt-out provision in final regulation
 - Comment received in response to proposed regulation requested ability to opt out suggesting that some small plans would prefer to keep using current year UVBs for current year VRP and that such plans could meet the new earlier due date rules
- Opting out intended to be a one-time thing
 - Automatic approval to opt out starting with 2014 VRP
 - No election check box.
 - PBGC will know which plans opted out by the UVB valuation date reported in the 2014 filing
 - PBGC consent required to opt back in for a future year

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Opting Out of Lookback Rule - cont

- PBGC consent generally required to opt out starting with a year after 2014
 - Exception – automatic approval for plans that want to opt out the first time they would otherwise be expected to use Lookback Rule
 - Details re: post-2014 opt out rules will be in 2015 instructions.
- Opting out not practical for plans with year-end valuation dates
 - Current year UVBs won't be available by due date

2014 VRPs Standard vs. Alternative

	Default - Lookback Rule Applies		If Plan opts out of Lookback Rule	
	Standard	Alternative	Standard	Alternative
UVB Valuation Date	Funding valuation date for 2013	Funding valuation date for 2013	Funding valuation date for 2014	Funding valuation date for 2014
Benefits Reflected in Premium Funding Target	Vested portion of benefits included in funding target (for MRC purposes) for 2013 plan year	Vested portion of benefits included in funding target (for MRC purposes) for 2013 plan year	Vested portion of benefits included in funding target (for MRC purposes) for 2014 plan year	Vested portion of benefits included in funding target (for MRC purposes) for 2014 plan year
Discount rate(s) used to determine UVBs	December 2012 spot segment rates	Whatever was used for funding purposes for 2013, but w/o regard to MAP-21 stabilization	December 2013 spot segment rates	Whatever is used for funding purposes for 2014, but w/o regard to MAP-21 stabilization
All other assumptions	Whatever was used for funding purposes for 2013 plan year	Whatever was used for funding purposes for 2013 plan year	Whatever is used for funding purposes for 2014 plan year	Whatever is used for funding purposes for 2014 plan year

Table entries assume plan is not a New or Newly Covered Plan

Special Rules for New and Newly Covered Small Plans

- **New term – Continuation Plan**
 - New plan created as result of non *de minimis* merger or consolidation
- **First year VRPs**
 - If not a continuation plan – exempt from VRP for first year of existence/coverage
 - If a continuation plan:
 - Lookback rule does not apply; current year UVBs used to determine current year VRP
 - Due date extended (in some cases, see below)
- **New/Newly covered small plan due date: later of:**
 - The normal premium due date,
 - 90 days after adoption/coverage, and
 - If plan is a continuation plan, 90 days after UVB Valuation Date

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Summary of Small Plan VRP & Due Date Rules

Pre-existing plans	New & Newly Covered Plans that aren't Continuation Plans	New & Newly Covered Continuation Plans
Prior year UVBs ^a	Exempt from VRP	Current year UVBs
Normal due date ^b	Extended due date ^c	Super extended due date ^c

Different rules apply in year of standard termination

- a. Unless plan opts out of lookback rule (i.e., unless plan chooses to use current year UVBs for 2014 and all future years.)
- b. Transition rule applies for 2014, so Normal due date rules don't kick in until 2015.
- c. In some cases, extension won't apply; it depends on effective/coverage date and valuation date .

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Special Rules for Plans Undergoing Standard Terminations

- Due date is earlier of:
 - The normal premium due date
 - The date the Form 501 is filed
- VRP exception in final plan year
 - No VRP in year that plan is closed out under Standard Termination
 - Can claim exemption even if not fully closed out by the time the premium forms are filed.
 - But filing will need to be amended assets aren't fully distributed by the end of the plan year

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Rate Increases

Year	Single-employer Plans			Multis
	Flat	Variable		Flat
		Rate per \$1,000 of UVBs	MAP-21 Cap per participant*	
2014	\$49	\$14	\$412	\$12
2015	\$57	\$24	\$412	\$12
2016	\$64	\$29	\$500	\$12
2017	\$64	\$29	\$500	\$12

Amounts in red are subject to indexing and therefore, might be higher than what's shown above. After 2016, all rates will be subject to indexing.

*small employer cap still available - (\$5 x # participants²)

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Rate Increases (example #1)

- 40 participants
- UVB = \$175,000

Year	Flat Rate	Flat Premium	Variable Rate (per \$1000 UVB)	Variable Premium	Total Premium
2013	\$42	\$1,680	\$9	\$1,575	\$3,255
2014	\$49	\$1,960	\$14	\$2,450	\$4,410
2015	\$57	\$2,280	\$24*	\$4,200	\$6,480
2016	\$64	\$2,560	\$29*	\$5,075	\$7,635

* 2015 and 2016 VRP rates are subject to indexing and therefore, might be higher.

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Rate Increases (example #2)

- 7 participants
- UVB = 11,000

Year	Flat Rate	Flat Premium	Variable Rate (per \$1000 UVB)	Variable Premium	Total Premium
2013	\$42	\$294	\$9	\$99	\$393
2014	\$49	\$343	\$14	\$154	\$497
2015	\$57	\$399	\$24*	\$245**	\$644
2016	\$64	\$448	\$29*	\$245**	\$693

* 2015 and 2016 VRP rates are subject to indexing and therefore, might be higher.

** VRP cap applies

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Rate Increases - cont

- Consult with clients
 - Should you make them aware of likely premium increases?
 - Even more important to pay out lump sums ASAP
 - Find missing participants

- Pay premiums from plan assets?
 - May not help
 - Added to expense load on minimum funding

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New Payment Option

- www.pay.gov – Recommended
- Secure, free, and user friendly

(May still use ACH or paper checks)

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New Certification Option

- Purpose
 - Enable plan administrators (PA) to manually certify filing by signing hard copy
 - Similar to longstanding process for uploaded filings
- How it works
 - New MyPAA role: “PA Rep”
 - PA Rep e-certifies that the PA signed a hard copy “form”
 - EA can play both roles (EA and PA Rep)
- Details available on pbgc.gov
 - See “Online Premium Filing with My PAA” page

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Miscellaneous

- Participant count breakdown now required to be reported
 - Same categories on Schedule SB (Active, TV, in pay status)
- New mailing address – see www.pbgc.gov
- No more early flat rate filing (“ES”) for large plans

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Miscellaneous -cont

- MAP-21 guidance codified in PBGC regs
- Bill extending MAP-21 corridor under in Congress now
 - Extended corridor would reduced minimum required contributions
 - As drafted, would, again, have no impact on PBGC premiums again (i.e., MAP-21 corridor would apply to discount rates only for funding purposes.

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Miscellaneous -cont

- Late payment penalty waivers
 - Prior policy statement guidance re: 7-day rule incorporated into regulation
 - Maximum penalty lowered for “self corrected” filings from 100% to 50% of late amount
- Form and instructions revised accordingly
- Blue book guidance re: at-risk load codified
 - If plan is at-risk, load is included in premium funding target

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Questions?

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