

Increased PBGC Premiums Are In Effect

Yesterday, the House passed for the second time S.1932, the Deficit Reduction Act of 2005. Procedural rules required a second vote. The Senate had passed this broad legislation on December 19, 2005 and the measure now heads to the President who has indicated that he will sign it into law. This fiscal year 2006 budget reconciliation bill significantly increases the premiums plan sponsors must pay to the Pension Benefit Guaranty Corporation (PBGC).

PBGC Premiums

- For single employer plans, flat-rate premiums increase from \$19 to \$30 per participant and the \$30 will be subject to annual inflation adjustments. The increase is effective for plan years beginning in 2006. Thus, calendar year plans should base their PBGC Form 1-ES filings due later this month on the new higher amount. Also, the law creates a new additional premium for single-employer plans of \$1,250 per participant payable for 3 years for employers that terminate plans under a distress or involuntary termination. This exit premium is effective through December 31, 2010. Sponsors of single-employer plans that entered into bankruptcy before October 18, 2005 are exempt.
- The flat-rate premium for multiemployer plans increases from \$2.60 to \$8.00 per participant. The increase is also effective for plan years beginning in 2006 and will be subject to annual inflation adjustments.

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