

PBGC TOPICS

MISCELLANEOUS



# **PBGC MISC TOPICS SUMMARY**

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**Standard versus Distress termination**

**Variable rate premium calculations**

**Employer liability**

**Asset allocation at plan termination**

**PC4 versus guaranteed benefits for M. O.**

**Asset reversion, excise taxes**

**Benefits for missing participants**

**Reportable Events**



# **TYPES OF TERMINATION**

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- 1. STANDARD: Assets cover all benefit liabilities**
- 2. DISTRESS: Assets insufficient, sponsor wants to terminate the plan**
- 3. INVOLUNTARY: PBGC terminates plan - one of these reasons:**
  - a) MFSA is deficient**
  - b) Plan unable to pay benefits when due**
  - c) Unfunded vested benefits exist after substantial owner receives distribution**
  - d) Long term loss to PBGC is likely if plan remains in operation**



## **§4006.3 PREMIUM RATES**

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### **2018 Flat Rate Premium:**

**Multi-employer = \$ 28 per participant**

**Others = \$ 74 per participant, plus  
Variable Rate Premium**

### **2018 Variable Rate Premium (VRP):**

- **\$38 for each \$1,000 (or fraction thereof) of the unfunded vested benefits.**
- **Cap is \$523 per participant for all plans**
- **Cap is \$5 per (participant)<sup>2</sup> for small plans**

**All premium rates get COLA each year (except for \$5 small plan cap), round result to \$1**



## **§4006.4 PREMIUM RATES UNFUNDED VESTED BENEFITS (UVB)**

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**UVB = Excess of Premium Funding Target over  
fair market value of assets**

- **Both items are defined for premium payment year**
- **UVB must be determined at the plan's UVB valuation date**
- **Use plan provisions and plan population at plan's UVB valuation date**



- **Can not use IRC 430(g) averaging technique**
- **Handling of receivable contributions**
  - **Include prior year contributions that are received by the date the premium is filed**
  - **Include present value in assets**
  - **Present value based on “effective rate of interest” from prior plan year valuation**
  - **If MAP-21 segment rates used for 2012, then effective rate also reflects MAP-21**



## **§4006.4 PREMIUM RATES PREMIUM FUNDING TARGET**

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**MAP-21**

### **General rule**

- **Premium Funding Target is the "vested benefits portion" of IRC 430 Funding Target**
- **Interest rates used are different**

### **Interest rates**

- **Use three segment rates under IRC 430, without averaging over 24 months**
- **Rates based on calendar month prior to the month the plan year starts**
- **Premium funding target ignores effect of MAP-21 on IRC 430 segment interest rates**



## **§4006.4 PREMIUM RATES MAP-21**

### **ALTERNATIVE PREMIUM FUNDING TARGET**

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**Alternative PFT is the "vested benefits portion" of the IRC 430 Funding Target, with the same interest rates (24 month averaging)**

**Election to use Alternative PFT can NOT be revoked for five plan years**

**Must ignore effect of MAP-21 on IRC 430 segment interest rates**



# PBGC PREMIUM PAYMENT INSTRUCTIONS

## 2013 PREMIUM FUNDING TARGET

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**Table from instructions shows comparison of assumptions used**

	<b>ERISA section 303</b>	<b>Standard Premium Funding Target</b>	<b>Alternative Premium Funding Target</b>
Benefits reflected in calculation	All benefits earned or accrued as of the beginning of the plan year	Vested portion of benefits included in ERISA § 303 Funding Target	Vested portion of benefits included in ERISA § 303 Funding Target
Discount rate basis	3 segments based on 24-month average of high-quality corporate bond yield curve phased-in over 3 years (subject to 10% corridor under MAP-21)  Option - Use full yield curve, with no 10% corridor and no averaging	3 segments based on high-quality corporate bond yield curve with no 10% corridor and no averaging	ERISA § 303, with no 10% corridor
Which month's rates?	January 2013, December 2012, November 2012, October 2012, September 2012 Full yield curve: December 2012	December 2012	ERISA § 303



## **§4006.4 PREMIUM RATES PREMIUM FUNDING TARGET**

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### **Vested Benefit Definition**

**Includes death benefits**

- **Pre-retirement:**
  - **QPSA**
  - **Return of mandatory employee contributions**
- **Post-retirement:**
  - **QJSA**
  - **Certain and Life annuity**



## **§4006.4 PREMIUM RATES PREMIUM FUNDING TARGET**

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### **Vested Benefit Definition**

- **Regulation examples**
  - **QPSA after 5 years service**
  - **Supplement for retirements between ages 55 and 62**
  - **Not treated like typical valuation of vested benefits**



## **§4006.4 PREMIUM RATES PREMIUM FUNDING TARGET**

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### **Benefits Not Vested**

- **Pre-retirement lump sum death benefit other than return of EECWI**
- **Disability benefit**



## **§4006.5 PREMIUM RATES**

### **VARIABLE RATE PREMIUM EXEMPTION**

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**Must meet one of these based on plan status at the premium snapshot date**

- **Plans with no vested participants**
- **Section 412(e)(3) plans**
- **Standard plan terminations  
NOIT already issued, and termination date  
prior to UVB valuation date**

## **NOTES**

- **NO small plan exemption**
- **NO variable rate premium for multiemployer**



## **§4006.5 PREMIUM RATES PARTICIPANT COUNT DATE**

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- **General rule – last day of prior plan year**
- **For newly covered plan, use 1<sup>st</sup> day of plan year**
- **For new plan, use 1<sup>st</sup> day of plan year starting on the effective date**



## **§4006.6 PREMIUM RATES**

### **DEFINITION OF PARTICIPANT**

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#### **General rule**

**On a given date, plan has benefit liabilities with respect to individual on that date**

#### **Loss of benefit**

- **Participant with no vested accrued benefit**
  - **After 1 year break in service**
  - **After "deemed zero-dollar" cash out under terms of plan**
  - **After death**
- **Participant with vested accrued benefit**
  - **After irrevocable commitment from insurer**
  - **After all benefit liabilities are distributed**



## **§4006.7 PREMIUM RATES PLAN TERMINATION PREMIUM**

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**Applies to termination dates after 2005**

- **Single employer distress terminations**
- **Involuntary terminations**

**Premium rate is \$1,250 per participant (on day prior to DOPT) for three years after termination**

**For certain airline industry plans, premium rate is \$2,500 per participant**



# **PBGC VARIABLE RATE PREMIUM CAP FOR SMALL PLANS**

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**If 25 or less employees on 1<sup>st</sup> day of plan year,  
per participant VRP is capped at (5 \* count):**

<b>Participant Count</b>	<b>Per participant VRP CAP</b>	<b>Total VRP CAP</b>
<b>1</b>	<b>5</b>	<b>5</b>
<b>2</b>	<b>10</b>	<b>20</b>
<b>10</b>	<b>50</b>	<b>500</b>
<b>20</b>	<b>100</b>	<b>2,000</b>
<b>25</b>	<b>125</b>	<b>3,125</b>
<b>30</b>	<b>150</b>	<b>4,500</b>
<b>35</b>	<b>175</b>	<b>6,125</b>

## **Employee count**

**Based on all employees of all employers in the  
controlled group**



# **PBGC VARIABLE RATE PREMIUM CAP FOR SMALL PLANS**

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**Participant count can exceed 25, due to  
inactive participants**

**Plans which pay variable rate premium equal to  
the cap are exempt from reporting UVB under  
4006.4**



# PBGC PREMIUM PAYMENT INSTRUCTIONS

## FILING DATES

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### Filing dates for calendar plan years

<b>Flat-rate Premium</b>	<b>Variable-rate Premium</b>	<b>Reconciliation of estimated Variable-rate Premium</b>
October 15th during year	October 15th during year	April 30th after year-end

Before 2015, dates varied by plan size:

- Small Plans  
Prior year Participant Count < 100
- Mid-size Plans  
99 < prior year Participant Count < 500
- Large Plans  
Prior year Participant Count – 500 or more



# **PBGC PREMIUM PAYMENT INSTRUCTIONS PENALTIES - LATE PAYMENTS**

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**If you file a premium payment after the due date, PBGC bills the plan for late charges. The late charges include both interest and penalty charges.**

## **Late Payment Interest Charges:**

**Interest accrues at the rate imposed under section 6601(a) of the Code (the rate for late payment of taxes) and is compounded daily**



# **PBGC PREMIUM PAYMENT INSTRUCTIONS PENALTIES - LATE PAYMENTS**

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## **Late Payment Penalty Charges:**

**Penalty is a percentage of the unpaid amount for each month (or portion) it remains unpaid. The monthly rate is higher or lower depending on whether the premium underpayment is “self-corrected.”**

- .5% per month if payment is made on or before the date that PBGC issues a written notification indicating possible premium delinquency. Penalty can not exceed 25% of the unpaid premium amount.**
- 2.5% per month applies to payment made after the PBGC notification date. Penalty can not exceed 50% of the unpaid premium amount.**



**ALL DEFINED BENEFIT PLANS –  
FUNDING NOTICE**

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**Must disclose funded status and PBGC guarantee limitations. Notice includes**

- **Plan name**
- **Address and phone number of plan administrator**
- **Plan sponsor's EIN**
- **Plan number**
- **Statement whether funded current liability percentage is at least 100%. If not, show FCL%.**
- **Market value of assets, asset valuation date, benefit payments for plan year, and ratio of assets to benefit payments for the plan year**
- **Summary of rules for insolvent multiemployer plans, including potential benefit reductions and suspensions**
- **Description of benefits which are guaranteeable by PBGC**
- **Explanation of limitations on PBGC guaranteed benefits**
- **Any additional information provided must follow prior items, and be labeled as “Additional Explanation”**



# **ERISA 101(f) HATFA DEFINED BENEFIT PLANS – FUNDING NOTICE**

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**Additional disclosure required for plans that meet these criteria, for plan years beginning before January 1, 2020**

- **Plan had 50 or more participants on any day in prior plan year, and**
- **Using “adjusted interest rates” (with 25-year averaging of segment rates), funding target is less than 95% of result using regular segment rates, and**
- **Using regular segment rates, funding shortfall  $\geq$  500,000**



# **ERISA 101(f) HATFA DEFINED BENEFIT PLANS – FUNDING NOTICE**

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## **Additional disclosures**

- **Plan is using “adjusted interest rates” to determine present values**
- **Using “adjusted interest rates”, plan sponsor may contribute less money to the plan than when interest rates are at historical lows**
- **Data values for current and prior two plan years, both with and without “adjusted interest rates”:**
  - **Funding target attainment percent**
  - **Funding shortfall**
  - **Minimum required contribution**



## PBGC ALLOCATIONS ON §4044 BASIS

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Assume PBGC termination liability consists of multiple priority categories:

PC1	20,000
PC2	0
PC3	40,000
PC4	60,000
PC5	20,000
PC6	<u>40,000</u>
Total	180,000

To allocate assets on PBGC (or §4044) basis, must define allocation rule. Apply assets towards each priority category in order from PC1 (highest priority) to PC6 (lowest priority):

<u>If MVA=</u>	<u>Then allocation rule is</u>
50,000	$MVA = 100\%(PC1 \rightarrow PC2) + 3/4 PC3$
100,000	$MVA = 100\%(PC1 \rightarrow PC3) + 2/3 PC4$
150,000	$MVA = 100\%(PC1 \rightarrow PC5) + 1/4 PC6$



# EMPLOYER LIABILITY

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- PPA '87 definition very simple, includes all benefit liabilities (PC1→PC6), plus O/S balance of waived deficiencies
- PBGC can obtain lien up to 100% of employer's net worth to collect the employer liability



# **PAYMENTS BY PBGC**

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- 1. Employer is liable for all benefit obligations**
- 2. If employer net worth = ZERO, PBGC pays guaranteed benefits to all participants**
- 3. Asset allocation may provide additional non-guaranteed benefits in PC3 which exceed guaranteed benefits**

## **Summary of payments to participants:**

- Guaranteed benefits**
- Additional benefits from 4044 asset alloc.**
- Other benefits - lien against sponsor**



# ASSET ALLOCATION EXAMPLE

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		<b>Smith</b>	<b>Brown</b>	<b>Total</b>
<b>PC3</b>	<b>Benefit</b>	<b>50,000</b>	<b>10,000</b>	<b>XXXXX</b>
	<b>Liability</b>	<b>500,000</b>	<b>100,000</b>	

<b>Guaran.</b>	<b>Benefit</b>	<b>26,000</b>	<b>13,000</b>	<b>XXXXX</b>
	<b>Liability</b>	<b>260,000</b>	<b>130,000</b>	

<b>PC4</b>	<b>Benefit</b>	<b>-0-</b>	<b>3,000</b>	<b>XXXXX</b>
	<b>Liability</b>	<b>-0-</b>	<b>30,000</b>	

		Smith	Brown	Total
Market Value	Alloc. Rule	Allocated assets		
		Unfunded G.B.		
-0-				
300,000				
400,000				
600,000				



# MANDATORY EMPLOYEE CONTRIB

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**Must allocate portion of reversion to employees upon termination**

Total reversion = MVA less  $\Sigma (PC1 \rightarrow PC6)$

EE share of Reversion = Total Reversion \*  $\frac{\Sigma PC2}{\Sigma(PC2 \rightarrow PC6)}$

Individual's Reversion = EE Share Reversion \*  $\frac{PC2}{\Sigma PC2}$

= Total Reversion \*  $\frac{PC2}{\Sigma(PC2 \rightarrow PC6)}$

Add back distributions for 3 years prior to DOPT to both the MVA, and various priority categories



# **BENEFIT AT PLAN TERMINATION MAJORITY OWNER**

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**PPA 06**

- **Guaranteed Benefit:**  
Based on 10 year pro-rate of 5 year phase-in for Majority owner
- **Priority Category 4 benefit:**  
Based on 5 year phase-in for everyone

## **Definitions**

**Majority owner - 50% or more of capital interest or voting stock**

**Substantial owner - more than 10% of capital interest or voting stock**



# **BENEFIT AT PLAN TERMINATION MAJORITY OWNER**

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**PPA 06**

<b>Assets cover PC1 → PC4?</b>	
<b>NO</b>	<b>YES</b>
<b>At least the M. O. Guaranteed benefit</b>	<b>100% PC4 benefit = Full guaranteed benefit under 5 year phase-in</b>
	<b>Exceeds the M. O. Guaranteed benefit</b>



# **BENEFIT AT PLAN TERMINATION MAJORITY OWNER**

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**PPA 06**

**When assets < PC4, have new allocation rule under PPA 2006.**

**Allocate assets to cover guaranteed benefits first, then to (PC4 benefit minus guaranteed benefit) for majority owners.**



# PC4 BENEFIT – MAJORITY OWNER

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Liability in PC1, PC2, PC3 = zero

		M.O. Actuary	Other Actuary	Total
Guaran.	Benefit	560/mo	200/mo	XXXXX
	Liability	56,000	20,000	
PC1-PC4	Benefit	800/mo	200/mo	XXXXX
	Liability	80,000	20,000	

		M.O.	Other	
Market Value	Alloc. Rule	Allocated Assets		Total
		Unfunded G.B.		
50,000				
75,000				
90,000				



# **PC5 ASSET ALLOCATION**

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**If assets cover part of PC5, allocation rule is not simple pro-rata**

- 1. Determine PC5 liability based on each level of benefits in the 5 years prior to plan termination**
- 2. Allocate assets to cover benefits under 5 year old plan first**
- 3. Then allocate assets to cover new layer of benefits in each successive plan**



# PC5 ASSET ALLOCATION EXAMPLE

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## PBGC termination liability:

PC1-PC3	zero	
PC4	30,000	
PC5-5	5,000	5 year old plan
PC5-3	20,000	3 year old plan
PC6	<u>25,000</u>	
Total	80,000	

PV of vested accrued benefits under 5 year old plan is 35,000. PV of vested accrued benefits under 3 year old plan is 55,000. To allocate assets on PBGC (or §4044) basis, must define allocation rule:

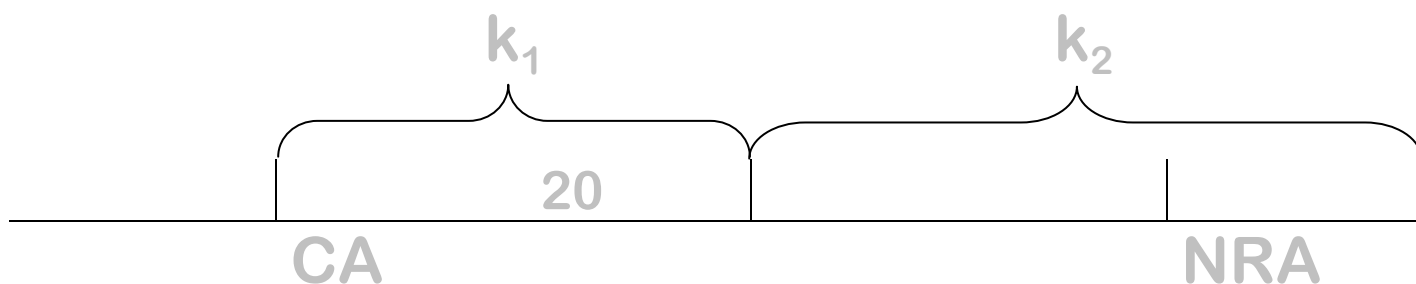
<u>MVA</u>	<u>Allocation rule</u>
45,000	$MVA = 100\%(PC4) + 100\%(PC5-5) + 50\%(PC5-3)$
50,000	$MVA = 100\%(PC4) + 100\%(PC5-5) + 75\%(PC5-3)$



# PLAN TERMINATION LIABILITY

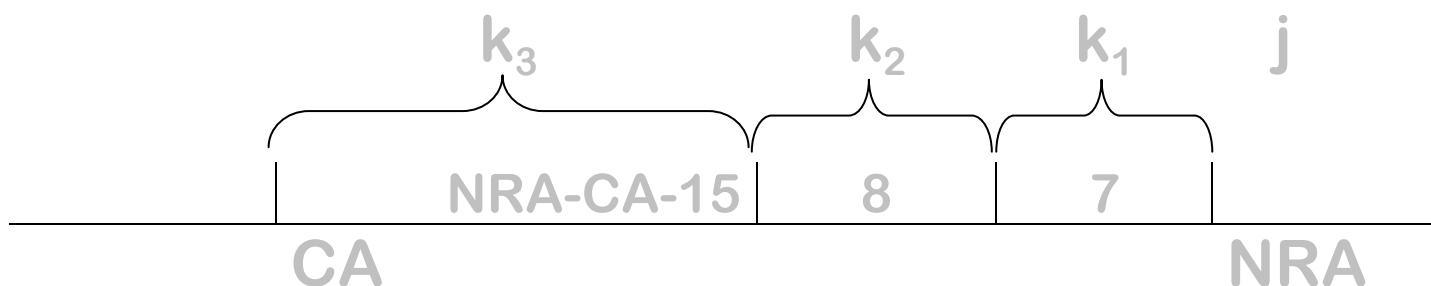
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Calculation based on two select rates. Annuity calculation at NRA may use both rates:



## HISTORY

Prior to 09/93 regulation:



$k_1$ ,  $k_2$ ,  $k_3$  are 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> select rates

$j$  is PBGC immediate rate for annuity at NRA



# **EXCISE TAXES**

## **§4980     Asset Reversion to Employer**

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- 1. 50% tax in general**
- 2. 20% tax if either**
  - a) Qualified replacement plan**
  - b) Benefit improvements**



# **EXCISE TAXES**

## **§4980 Asset Reversion to Employer**

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**1) 50% tax in general**

**2) 20% tax if**

**a) Qualified replacement plan**

**i) Need 95% participation**

**ii) Asset transfer  $\geq$  25% of reversion**

**iii) Reduce 25% by value of benefit improvements within 60 days**

**iv) Allocate transferred amount to employees over 7 years or less**



# **EXCISE TAXES**

## **§4980     Asset Reversion to Employer**

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**1) 50% tax in general**

**2) 20% tax if**

**a) Benefit improvements**

**i) Value  $\geq$  20% of (reversion before benefit changes)**

**ii) Uniform for all participants**

**iii) Increases to non-active participants can not exceed 40% of 20% of (reversion before benefit changes)**



## **§4050 MISSING PARTICIPANTS**

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**Designated benefit interest rate: applicable federal mid term rate – monthly**

### **Missing Participant annuity assumptions**

- **Use assumptions / methods under 4044.52, excluding expense adjustment**
- **Sex distinct mortality per RR 95-28**
- **Expense load of 300 if liability > 5,000**

### **NOTE**

**Don't use XRA assumptions**



## **§4050 MISSING PARTICIPANTS**

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### **Missing Participant lump sum assumptions**

- **Use assumptions / methods under 4022.7, excluding expense adjustment**
- **Mortality per 4022 Appendix A**
- **Interest per 4022 Appendix B**

### **NOTE**

**Don't use XRA assumptions**



## **§4050 MISSING PARTICIPANTS**

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### **Designated Benefit Amount**

- 1. Lump sum amount under plan assumptions, and amount  $<$  mandatory threshold**
- 2. If not 1, and lump sum under missing participant lump sum assumptions  $<$  5,000, equals that lump sum**
- 3. If not 1 or 2, and can't elect lump sum, use PV of benefit under missing participant annuity assumptions**
- 4. If not in case 1, 2 or 3  $\rightarrow$  greater of 1 or 3**



## **§4050 MISSING PARTICIPANTS**

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### **Missing participant annuity assumptions**

- 1) Must determine the most valuable benefit
  - a) If in pay status, that equals most valuable**
  - b) If not, use commencement age that gives highest present value****
- 2) Participant not in pay status – assumed married to spouse same age, value QJ&S**
- 3) Beneficiary not in pay status – assumed NOT married, value plan's survivor benefit**
- 4) If 2 or 3 in pay status, use form of benefit and beneficiary of the pay status benefit**
- 5) Don't forget expense load if > \$5,000**



# **REPORTABLE EVENTS - 4043 REGULATION PBGC FORM 10**

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**Reporting required 30 days after event:**

- **Active participant reduction**
  - **Less than 80% of actives at BOY**
  - **Less than 75% of actives at prior BOY**
- **Failure to make reqd minimum contributions**
- **Inability to pay benefits when due**
- **Distribution to a substantial owner**
- **Transfer of benefit liabilities**
- **Change contributing sponsor / controlled group**
- **Liquidation / bankruptcy**
- **Extraordinary dividend or stock redemption**
- **Application for minimum funding waiver**
- **Loan default**
- **Insolvency or similar settlement**

**Numerous waivers (no Form 10 filing) for many of these reportable events**



# **REPORTABLE EVENTS - 4043 REGULATION PBGC FORM 10**

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**Failure to make req'd minimum contributions:  
Quarterly installments, and remainder of  
minimum**

**FORM 10 grants waiver if installment paid  
within 30 days of due date**



# REPORTABLE EVENTS - 4043 REGULATION

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## CHANGES EFFECTIVE 01/01/2016

- **Active participant reduction**
  - No longer track participant count for every day of plan year
  - For single-cause event such as plant closing, mass layoff, reorganization, etc. use count as of event date
  - Otherwise, only look at count on last day of plan year
- **Liquidation / bankruptcy - No longer included under insolvency / settlement**



# REPORTABLE EVENTS - 4043 REGULATION

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## CHANGES EFFECTIVE 01/01/2016

- **New waivers for five events:**
  - **Extraordinary dividend**
  - **Change in controlled group**
  - **Active participant reduction**
  - **Transfer of benefit liabilities**
  - **Distribution to substantial owner**
    - **Low-default-risk waiver**  
Based on financial reporting information
    - **Well-funded plan waiver**  
No VRP required for prior plan year
    - **Public company waiver**  
Event previously reported on SEC Form 8-K



# REPORTABLE EVENTS - 4043 REGULATION

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## CHANGES EFFECTIVE 01/01/2016

- **Small plan waivers - 100 or less participants**
  - **Extraordinary dividend**
  - **Change in controlled group**
  - **Active participant reduction**
  - **Transfer of benefit liabilities**
  - **Missed quarterly installments**



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**PBGC-39D**



# **REPORTABLE EVENTS - 4043 REGULATION PBGC FORM 10-Advance**

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**Special 30 day advance reporting required if:**

- 1. Neither contributing sponsor nor controlled group member that the event is related to are a public company, and**
- 2. Contributing sponsor is member of controlled group with aggregate values**
  - a. UVB > \$50 million (ignoring plans with no UVB), and**
  - b. Funded vested benefit percentage < 90%**

## **EVENTS:**

- Change contributing sponsor / controlled group**
- Liquidation / bankruptcy**
- Extraordinary dividend or stock redemption**
- Transfer of benefit liabilities**
- Application for minimum funding waiver**
- Loan default**
- Insolvency or similar settlement**



# **REPORTABLE EVENTS - 4043 REGULATION PBGC FORM 200**

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## **NOTICE REQUIREMENT – Lien under §430(k)**

**Failure to make req'd minimum contributions:  
Quarterly installments, and remainder of  
minimum**

**Form 200 only filed for plans with both:**

- 1. Unpaid balance of installments under §412 exceeds 1,000,000, and**
- 2. Funding target attainment percent < 100%**

### **NOTES:**

- No small plan exemption**
- Must file form within 10 days**



# **ERISA 4021(b)**

## **PLANS NOT COVERED BY THE PBGC**

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- (1) Individual account plan**
- (2) Governmental / state plans**
- (3) Church plan - no 410(d) election**
- (4) 501(c)(8) or (9) plan with no employer contributions**
- (5) Plan with no employer contributions**
- (6) Unfunded plan for highly compensated**
- (7) Plan outside USA for nonresident aliens**
- (8) Plan providing benefits > 415 limits**
- (9) Plan maintained exclusively for substantial owners**
- (10) Plan of international organization exempt from taxation**
- (11) Plan solely to comply with workmen's compensation / unemployment compensation / disability insurance**
- (12) DB plan providing benefits partly based on employee's separate account**
- (13) Professional service employer plan – see next page**



# ERISA 4021(b)(13) PROFESSIONAL SERVICE EMPLOYER PLAN

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"established and maintained by a professional service employer which does not at any time after the date of enactment of this Act have more than 25 active participants in the plan"



# **ERISA 4021(c)(2)**

## **PROFESSIONAL SERVICE EMPLOYER**

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- (A) the term "professional service employer" means any proprietorship, partnership, corporation, or other association or organization**
- (i) owned or controlled by professional individuals or by executors or administrators of professional individuals,**
  - (ii) the principal business of which is the performance of professional services, and**



# **ERISA 4021(c)(2)**

## **PROFESSIONAL SERVICE EMPLOYER**

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**(B) the term "professional individuals" includes but is not limited to**

**physicians, dentists, chiropractors, osteopaths, optometrists, other licensed practitioners of the healing arts, attorneys at law, public accountants, public engineers, architects, draftsmen, **actuaries**, psychologists, social or physical scientists, and performing artists**



# **ERISA 4062(e) CFCCA 2015**

## **SUBSTANTIAL CESSATION OF OPERATIONS**

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### **DEFINITION**

**Permanent cessation of operations which results in “workforce reduction” of number of “eligible employees” of more than 15%**

### **WORKFORCE REDUCTION**

**Employees are separated from employment by reason of permanent cessation of operations**

### **ELIGIBLE EMPLOYEES**

**Includes participants in either a defined benefit plan or a defined contribution plan**



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**Requirements do not apply to employer if**

- **Less than 100 participants with accrued benefits as of the valuation date in the current plan year, or**
- **Ratio of market value of assets to §4006 funding target for the current plan year is at least 90%**



**Must contribute amount equal to unfunded portion of plan termination liability times the ratio of**

- **Number of “eligible employees” in the “workforce reduction”, divided by**
- **Number of “eligible employees” at all facilities in the controlled group**

**NOTE – definition is not in ERISA 4062(e), but is given in Q&A #16 of 2015 PBGC “Blue Book”**



**ADDITIONAL CONTRIBUTION - ELECTION**

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**Can elect to pay different contribution over 7 years**

**Alternate contribution amount**

**1/7 times (§4006 funding target less market value of assets) for prior plan year, times the ratio of**

- **Number of “eligible employees” in the “workforce reduction”, divided by**
- **Number of “eligible employees” at all facilities in the controlled group**



**ADDITIONAL CONTRIBUTION - ELECTION**

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**If paying alternate contribution over 7 years**

- **Additional contribution is over and above minimum required contribution under IRC 430**
- **Additional contribution for any year is limited to the excess, if any, of**
  - **25%\*(§4006 funding target less market value of assets) over**
  - **minimum required contribution under IRC 430**
- **Additional contribution ceases when prior year's ratio of market value of assets to §4006 funding target is at least 90%**



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**PBGC-45F**



# **PBGC MISC TOPICS SUMMARY**

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**Standard versus Distress termination**

**Variable rate premium calculations**

**Employer liability**

**Asset allocation at plan termination**

**PC4 versus guaranteed benefits for M. O.**

**Asset reversion, excise taxes**

**Benefits for missing participants**

**Reportable Events**