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CARES Act Update

PBGC Allowing Greater Flexibility Related to Premium Filings

The Pension Benefit Guaranty Corporation (PBGC) announced on September 21, 2020 it will provide new flexibility for variable-rate premium filers, updating guidance that was issued on July 20, 2020. As a result, single employer plans (SEP) will be able to delay variable-rate premium contributions, and receive the corresponding refund of those premiums.

The move is the latest related to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provides that certain pension contributions that would otherwise be due during 2020 are instead due on January 1, 2021. However, the CARES Act did not provide any special rules related to PBGC premiums. Because of the new announcement, a premium refund will be available to account for employer contributions received by the plan during the extended period provided by the CARES Act.

Under the new guidance and relief, for premium filings due on or after March 1, 2020, and before January 1, 2021, the date by which "prior year" contributions must be received by the plan to be included in plan assets will be extended to January 1, 2021. Thus, the discounted value of such contributions received by the plan after the premium is filed—but on or before January 1, 2021—will be included in the asset value used to determine the variable-rate premium.

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“As COVID-19 continues to affect workers, families, and job creators across the country, PBGC continues to look for opportunities to provide the relief they need,” PBGC Director Gordon Hartogensis said. “This relief will support the (Trump) Administration’s efforts to continue driving economic recovery and helping those in need.”

PBGC protects the retirement security of over 35 million American workers, retirees, and beneficiaries in both single-employer and multiemployer private-sector pension plans. The agency’s two insurance programs are legally separate and operationally and financially independent.

PBGC is currently responsible for the benefits of about 1.5 million people in failed pension plans and receives no taxpayer dollars. Its Single-Employer Insurance Program is financed by insurance premiums, investment income, and assets and recoveries from failed single-employer plans. Its Multiemployer Insurance Program is financed by insurance premiums and investment income.

Contact the Pentegra Solutions Center at solutions@pentegra.com or 855-549-6689 for expert guidance on how to make the most of the new rules.

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