

TECHNICAL UPDATE 10-2

Pension Benefit Guaranty Corporation

1200 K Street, N.W., Washington, DC 20005-4026

June XX, 2010

Technical Update 10-2: Variable Rate Premiums; Alternative Premium Funding Target Elections; Box 5 Relief

This Technical Update provides relief to plans that intended to elect to use the alternative premium funding target to calculate the variable rate premium (VRP) but did not check Box 5 on the comprehensive premium filing,¹ if certain conditions are met and the plan notifies PBGC, as described below.

I. Background

Under PBGC's regulation on Premium Rates (29 CFR part 4006), a plan may elect to use the alternative premium funding target (APFT) to calculate its VRP for plan years commencing after 2007. If an election to use the APFT is not in effect, the plan must calculate its variable rate premium using the standard premium funding target (SPFT).

An election to use the APFT must be made by the VRP due date for the first plan year to which the election applies by checking Box 5 in Part II (Alternative Premium Funding Target Election) of the comprehensive premium filing for that plan year. An election to use the APFT must remain in effect for at least five years starting with the first plan year to which the election applies.

Some plans that used the APFT but did not check Box 5 have told PBGC that they intended to elect to use the APFT and that PBGC should treat them as having done so. PBGC is making relief available to such plans. Under this Technical Update, a plan that intended to elect to use the APFT will be deemed to have made a valid election if certain conditions are met and the plan notifies PBGC, as described below.

II. Relief

For purposes of this Technical Update, an applicable plan year is –

- A plan year commencing in 2008, or
- A plan year commencing in 2009, but only for a plan whose comprehensive premium filing for that plan year is due on or before July 15, 2010.

PBGC will provide relief to a plan that intended to elect to use the APFT for an applicable plan year, even though Box 5 on the comprehensive premium filing for the applicable plan year was not checked if, for the applicable plan year –

¹ Premium information must be submitted electronically (29 CFR § 4007.3). PBGC provides on its Web site (www.pbgc.gov) filing instructions that include an illustrative form with a line number for each data element. For convenience, this Technical Update refers to those line numbers.

- The comprehensive premium filing was made on time,
- The APFT was used to determine the plan’s VRP,² and
- “Alternative” was checked in line 7d(1) of Part III (Premium Information) of the comprehensive premium filing.

If these conditions are met and the plan notifies PBGC as described below, then upon notification from PBGC as described below, the plan will be deemed to have made a valid election to use the APFT, first effective for the applicable plan year. This relief is available even if the plan has amended its comprehensive premium filing for the applicable plan year to use the SPFT; if relief is provided in such a case, PBGC will disregard the amended filing.

III. Process

To obtain relief under this Technical Update, the plan administrator – and only the plan administrator – must send PBGC’s Financial Operations Department (FOD) a notice stating:

- (1) The name of the plan and the Employer Identification Number and Plan Number most recently reported for the plan in a PBGC premium filing.
- (2) The name, telephone number, and e-mail address of the plan administrator;
- (3) That the conditions for relief in this Technical Update are met.
- (4) That the plan intended to elect the APFT, first effective for the plan year commencing [insert the first day of the applicable plan year].
- (5) The filing date for the last timely comprehensive premium filing for the applicable plan year, as shown in the filing receipt generated by PBGC’s premium e-filing application, My Pension Administration Account (My PAA).
- (6) That the plan administrator understands that the election will remain in effect unless and until it is subsequently revoked and that it must remain in effect for at least five years starting with the first plan year to which the election applies.
- (7) If the amount of premium already paid for the applicable plan year exceeds the amount of premium owed as determined using the APFT, whether the plan wants the overpayment to be refunded or applied against future premiums.

The notice must be in writing and sent within 30 days of the later of –

- The date of issuance of this Technical Update, or
- The date the comprehensive premium filing for the applicable plan year is due.

Notices must be e-mailed to FOD at premiums@pbgc.gov or mailed to FOD at PBGC, Dept 77840, P.O. Box 77000, Detroit, MI 48277-0840. The subject line of the notice should read “Technical Update 10-2 Relief.”

² PBGC has found filings in which “alternative” was checked in line 7d(1), but the discount rates reported in line 7d(2) as having been used to determine the premium funding target were not acceptable alternative rates; for example, a 2009 calendar year plan that reported segment rates of 6.72%, 7.12% and 6.36% respectively (the spot segment rates applicable for 2009 calendar year plans using the SPFT). In such a situation, the plan did not use the APFT to determine the VRP and the plan is not eligible for the relief in this Technical Update.

Upon receipt of a notice from a plan, FOD will review the plan's comprehensive premium filing for the applicable plan year to verify that the conditions for the relief in this Technical Update are met and, if so, will notify the plan administrator that the plan is deemed to have made a valid election to use the APFT.³ FOD will also notify the plan if the conditions are not met.

IV. PBGC Contact Points

For questions about this Technical Update, contact Amy Viener of the Policy, Research, and Analysis Department at 202-326-4080, ext. 3919, or viener.amy@pbgc.gov or Robert Callahan at 202-326-4067, ext. 3258 or callahan.robert@pbgc.gov.

³ If a plan takes advantage of the relief in this Technical Update for the 2008 plan year, the election must remain in effect for five years from the first plan year to which the election is in effect. If a plan in this situation used the SPFT for the 2009 plan year, the 2009 comprehensive premium filing will need to be amended to use the APFT. If a plan in this situation used the APFT for the 2009 plan year, no further action need be taken with regard to the election.