

Technical Update 12-1: Effect of MAP-21 on PBGC Premiums

August 28, 2012

This Technical Update 12-1 provides PBGC guidance on the effect of the Moving Ahead for Progress in the 21st Century Act (MAP-21) on PBGC premiums. The guidance in this Technical Update supersedes any inconsistent guidance in PBGC's 2012 premium instructions and will be reflected in the 2013 premium instructions.

Variable-rate premium; premium funding target

Effective beginning in 2012, MAP-21 establishes stabilization rules that limit the volatility of certain discount rates used for funding purposes by constraining them within a corridor. MAP-21 also amends ERISA section 4006(a)(3)(E) to provide that the stabilization rules do not apply to the discount rates used to determine the variable-rate premium "notwithstanding any regulations issued by [PBGC]." Thus the stabilization rules do not apply to the discount rates used to calculate the standard premium funding target under ERISA section 4006(a)(3)(E) and § 4006.4(b) of PBGC's regulations, or to the alternative premium funding target under section § 4006.5(g) of PBGC's regulations.

For example, consider a calendar-year plan with a January 1 valuation date that has elected to use November smoothed segment rates for funding purposes. The plan must use the following rates to calculate its premium funding target for 2012:

Alternative Premium Funding Target Status	1st, 2nd, and 3rd Segment Rates	Description
No election in effect for 2012	2.07%, 4.45%, 5.24%	Spot segment rates for December 2011
Election in effect for 2012	2.01%, 5.16%, 6.28%	Smoothed segment rates for November 2011 <i>before</i> reflecting the MAP-21 stabilization rules

A plan uses at-risk retirement and form of payment assumptions to determine its premium funding target only if the plan is in at-risk status for minimum funding purposes for the premium payment year.

Variable-rate premium; assets

The asset value used to determine the variable-rate premium continues to be the amount determined under ERISA section 303 for funding purposes, taking into account the rules about disregarding averaging and certain prior-year contributions in § 4006.4(c) of PBGC's regulations (generally, the amount required to be reported on line 2a of Schedule SB of Form 5500). This is the case even if contributions made after the valuation date were discounted for funding purposes using an effective interest rate that was based on stabilized rates.

Premium rates

Effective beginning in 2013, MAP-21 changes the flat and variable premium rates and puts a cap on the variable-rate premium. Each flat or variable rate is subject to a different inflation adjustment, and the variable-rate premium cap has its own inflation adjustment.

PBGC contact

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