

Dear Client,

We want to make you aware of some recent significant changes regarding PBGC premiums.

First, for large plans (500 or more participants), starting with the 2014 Plan Year, the PBGC has moved the due date for the Flat-Rate premium to 9½ months following the beginning of the Plan Year (October 15th for calendar year plans), the same day that the Variable-Rate premium is due. Prior to this year, the Flat-Rate Premium was due by the end of the 2nd month of the Plan Year (February 28th for calendar year plans).

Secondly, the Bipartisan Budget Act of 2013 (BBA), signed into law on December 26, 2013 significantly increases PBGC premiums beginning with the 2015 Plan Year. The increase applies to both the Flat-Rate premium, which is based on the participant count, as well as the Variable-Rate premium, which is based on the amount of unfunded vested liability. These increases are in addition to the premium increases included in the MAP-21 law passed in 2012. MAP-21 increased the 2014 premium rates, which are not impacted by BBA.

Here are the PBGC premium rates for the next several years under the new law:

Plan Year	2013	MAP-21	BBA	BBA	BBA
		2014	2015	2016	2017
Flat-Rate (per participant)	\$42	\$49	\$57	\$64	2016 premium indexed*
Increase over prior year			16%	12%	
Variable-Rate (per \$1,000 of Unfunded vested liability)	\$9	\$14	\$24**	\$29**	2016 premium indexed*
Increase over prior year			71%	21%	

* Based on wage growth

** Minimum premium (may be higher after indexing)

If the increases become burdensome, there are ways to minimize the impact:

1. Flat-Rate premium – this requires reducing the participant count. One way to achieve this is by offering a lump sum window to terminated vested participants or purchasing annuities for retirees.
2. Variable-Rate premium – this requires reducing the amount of unfunded vested liability. This can be achieved by increasing assets, either through higher contributions or better asset performance. In addition, higher valuation interest rates will result in lower liabilities.

Please let us know if you have any questions regarding this information or want to set up a time to discuss it in more detail.