



## BENEFIT NEWS BRIEFS

### ***PBGC Proposes to Lower Late Premium Payment Penalties***

The Pension Benefit Guaranty Corporation (PBGC) just released [proposed regulations](#) to lower the penalty rates charged for late payment of premiums and to provide a waiver of most of the penalty for plans with a history of premium payment compliance. The changes are proposed to take effect for the 2016 plan year and would affect both single-employer and multiemployer plans.

Currently, the penalty for late payment of a PBGC premium is a percentage of the amount paid late multiplied by the number of full or partial months the amount is late. According to the *Preamble* to the proposed regulations, there are currently two levels of penalty for late payments: a 1% per month penalty (with a 50% cap) and 5% per month penalty (capped at 100%).

The lower penalty rate applies to instances where the plan sponsor “self-corrects,” that is, where the premium underpayment is corrected before the PBGC gives notice to the plan that there is or may be an underpayment. The higher rate is used where the plan pays after receiving notice of the underpayment.

The proposed rule would cut the penalty rates and caps in half (to 0.5% per month with a 25% cap and 2.5% per month with a 50% cap, respectively).

The proposed regulation would also create a new penalty waiver that would apply to underpayments by plans with good compliance histories (five years of timely premium payments) if corrected promptly (within 30 days) after notice from PBGC. Under the proposed regulations, the PBGC would waive 80% of the penalty otherwise applicable to such a plan.

Comments on the proposed regulations must be submitted on or before June 27, 2016. The *Preamble* provides several different avenues for commenting, including email, fax, U.S. Mail and the federal rule-making portal.

More information on PBGC premium payments is available at:  
<http://pbgc.gov/prac/prem/premium-payment-instructions-and-addresses.html>.

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