

SECURE 2.0 Includes PBGC Premium Relief... for Some Plans

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As [previously discussed](#), the SECURE 2.0 Act of 2022 (“[SECURE 2.0](#)”) that was signed into law on December 29, 2022 as part of the 2023 Consolidated Appropriations Act includes a slew of changes for retirement plan sponsors and employers.

One of the many changes is an end to the annual indexing of the PBGC’s variable rate premium for single-employer pension plans, which is the portion of the single-employer plan premium that is based on a plan’s unfunded vested benefits (as determined using the PBGC’s premium funding rules). SECURE 2.0 freezes the variable rate premium at \$52 per \$1,000 of unfunded vested benefits. This provides some welcome relief for plan sponsors who saw the variable rate premium increase significantly over the last decade. The Moving Ahead for Progress in the 21st Century Act passed in 2012 increased the variable rate premium and added indexing to reflect inflation, raising the rate from \$9 per \$1,000 of unfunded vested benefits in 2013 to the current rate.

However, the rate freeze will have limited to no impact on employers that are already subject to the cap on variable rate premiums, which is currently equal to \$652 per participant. This is because the cap is also indexed and SECURE 2.0 does not end indexing for the cap. Because the cap will continue to increase each year based on inflation, employers that are subject to the cap will see their variable rate premium continue to increase until (if ever) their variable rate premium falls below the cap.

SECURE 2.0 also does not change PBGC’s indexed flat-rate premiums for both single-employer pension plans and multiemployer pension plans. Those rates are currently set at \$96 per participant and \$35 per participant, respectively.

For more information about SECURE 2.0, please see our other [blog posts](#) or contact a member of Proskauer’s Employee Benefits and Executive Compensation group.

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- **Justin S. Alex**

Partner

- **Heather K. Monte**

Associate