

2018 PBGC Premium Rates Released

On October 17th the PBGC published the increased premium rates that will be used in 2018. For underfunded plans that are limited by the variable premium cap, the total premium payment for 2018 increased to \$597 per participant. For plans not limited by the cap, the total premium increased to the sum of \$74 per participant and 3.8% of the unfunded liability.

The flat rate premium increase was legislated from the Bipartisan Budget Act of 2015, while the increase in the variable rate premium was due to a combination of legislation and indexing. The variable rate premium cap increase was fully attributable to indexing.

The chart below shows the premiums for 2018 and earlier, along with estimated future premiums due to legislated and index-driven increases.

	2012	2016	2017	2018	2019	2020
Per participant	\$35	\$64	\$69	\$74	\$80	\$82*
Variable rate percent of underfunded	0.9%	3.0%	3.4%	3.8%	4.3%*	4.4%*
Variable premium cap per participant	N/A	\$500	\$517	\$523	\$539*	\$555*
Maximum per participant premium	N/A	\$564	\$586	\$597	\$619*	\$637*

*Assumes 3% annual wage inflation

Sponsor considerations

The increase in the variable rate premium percentage along with the change in required mortality tables will push more plan sponsors towards the variable rate premium cap. Plan sponsors that end up in this situation should strongly consider risk transfer strategies that will help lower their PBGC premium burden going forward (see our article series on annuity purchases [Part 1](#), [Part 2](#), and [Part 3](#)).

In addition, plan sponsors will want to continue to assess the economic feasibility of lump sum cashout windows as well as borrow-to-fund and other strategies in 2018 and beyond.