AMERICAN ACADEMY of ACTUARIES

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June 22, 2016

via email – reg.comments@pbgc.gov
Regulatory Affairs Group
Office of the General Counsel
Pension Benefit Guaranty Corporation
1200 K Street NW
Washington, DC 20005-4025

Re: Regulation Identifier Number (RIN) 1212-AB32

To Whom It May Concern:

The Pension Committee of the American Academy of Actuaries[1] would like to express our appreciation for the April 28, 2016 proposed regulations providing a significant reduction in, and for some plans a partial waiver of, the penalty due upon the late payment of premiums to the single employer and multiemployer insurance programs. This is a welcome change that we believe will continue to support the goals of timely payment of premiums when due and voluntary self-correction when the payment deadline is missed.

As stated in the regulation's executive summary, the reduction in late-payment penalties will ease the financial burden on plan sponsors at a time when they have experienced significant increases in the amount of the annual premiums that are paid.[2] Furthermore, late payment of premiums is often inadvertent. The proposed penalty reductions[3] generally return the penalty amounts to a level closer (in terms of dollars due to the PBGC) to those in effect prior to the recent increases in premium rates (we agree with the PBGC's assessment that the reduced penalties should remain adequate to incent timely payment). Providing additional relief in the form of a partial waiver of the post-notification penalty to plans with a history of timely payment both rewards plans that have history of premium payment compliance and motivates plans to establish or maintain a good payment history going forward.

[1] The American Academy of Actuaries is an 18,500+ member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

[2] Over the 10-year period from 2007 to 2016, single employer plan flat-rate premiums more than doubled (from $31 in 2007 to $64 in 2016), while variable premium rates more than tripled (from $9 in 2007 to $30 in 2016). For multiemployer plans, flat-rate premiums increased by nearly 250 percent over this period (from $8 in 2007 to $27 in 2016).

[3] A 50% reduction in the self-correction and post-notification correction penalty rates, plus a partial waiver for plans with a demonstrated history of timely premium payment.

These commonsense efforts to provide relief while still promoting full compliance (and self-correction when failures occur) support the continued sponsorship of defined benefit plans. Please contact Matthew Mulling, the Academy's pension policy analyst (202-785-7868 or mulling@actuary.org) if you have any questions or would like to discuss these comments further.

Respectfully submitted,

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Chairperson, Pension Committee
American Academy of Actuaries