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SUBCHAPTER B—PREMIUMS

PART 4006—PREMIUM RATES

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§ 4006.1 Purpose and scope.

This part, which applies to all plans covered by title IV of ERISA, provides rules for computing the premiums imposed by sections 4006 and 4007 of ERISA. (See part 4007 of this chapter for rules for the payment of premiums, including due dates and late payment charges.)

§ 4006.2 Definitions.

The following terms are defined in § 4001.2 of this chapter: Code, contributing sponsor, ERISA, fair market value, insurer, irrevocable commitment, multiemployer plan, notice of intent to terminate, PBGC, plan administrator, plan, plan year, and single-employer plan.

In addition, for purposes of this part:

New plan means a plan that became effective within the premium payment year and includes a plan resulting from a consolidation or spinoff. A plan that meets this definition is considered to be a new plan even if the plan constitutes a successor plan within the meaning of section 4021(a) of ERISA.

Newly-covered plan means a plan that is not a new plan and that was not covered by title IV of ERISA immediately prior to the premium payment year.

Participant has the meaning described in § 4006.6.

Premium payment year means the plan year for which the premium is being paid.

Short plan year means a plan year that is less than twelve full months.

[61 FR 34016, July 1, 1996, as amended at 65 FR 75163, Dec. 1, 2000]

§ 4006.3 Premium rate.

Subject to the provisions of § 4006.5 (dealing with exemptions and special rules), the premium paid for basic benefits guaranteed under section 4022(a) of ERISA shall equal the flat-rate premium under paragraph (a) of this section plus, in the case of a single-employer plan, the variable-rate premium under paragraph (b) of this section.

(a) *Flat-rate premium.* The flat-rate premium is equal to the number of participants in the plan on the last day of the plan year preceding the premium payment year, multiplied by—

(1) $19 for a single-employer plan, or

(2) $2.60 for a multiemployer plan.

(b) *Variable-rate premium.* The variable-rate premium is $9 for each $1,000 of a single-employer plan's unfunded vested benefits, as determined under § 4006.4.

§ 4006.4 Determination of unfunded vested benefits.

(a) *General rule.* Except as permitted by paragraph (c) of this section or as provided in the exemptions and special rules under § 4006.5, the amount of a plan's unfunded vested benefits (as defined in paragraph (b) of this section) shall be determined as of the last day of the plan year preceding the premium payment year, based on the plan provisions and the plan's population as of that date. The determination shall be made in accordance with paragraph (a)(1) or (a)(2), and shall be certified to in accordance with paragraph (a)(4).

(1) The unfunded vested benefits shall be determined using the actuarial assumptions and methods described in paragraph (a)(3) for the plan year preceding the premium payment year (or, in the case of a new or newly-covered plan, for the premium payment year), except to the extent that other actuarial assumptions or methods are specifically prescribed by this section or are necessary to reflect the occurrence of a significant event described in paragraph (d) of this section between the date of the funding valuation and the last day of the plan year preceding the premium payment year. (If the plan

does a valuation as of the last day of the plan year preceding the premium payment year, no separate adjustment for significant events is needed.)

(2) Under this rule, the determination of the unfunded vested benefits may be based on a plan valuation done as of the first day of the premium payment year, provided that—

(i) The actuarial assumptions and methods used are those described in paragraph (a)(3) for the premium payment year, except to the extent that other actuarial assumptions or methods are specifically prescribed by this section or are required to make the adjustment described in paragraph (a)(2)(ii) of this section; and

(ii) If an enrolled actuary determines that there is a material difference between the values determined under the valuation and the values that would have been determined as of the last day of the preceding plan year, the valuation results are adjusted to reflect appropriately the values as of the last day of the preceding plan year. (This adjustment need not be made if the unadjusted valuation would result in greater unfunded vested benefits.)

(3) For purposes of paragraphs (a)(1) and (a)(2), the actuarial assumptions and methods for a plan year are those used by the plan for purposes of determining the additional funding requirement under section 302(d) of ERISA and section 412(1) of the Code (or, in the case of a plan that is not required to determine such additional funding requirement, any assumptions and methods that would be permitted for such purpose if the plan were so required).

(4) In the case of any plan that determines the amount of its unfunded vested benefits under the general rule described in this paragraph, an enrolled actuary must certify, in accordance with the PBGC annual Premium Payment Package provided for in § 4007.3 of this part, that the determination was made in a manner consistent with generally accepted actuarial principles and practices.

(b) *Unfunded vested benefits.* The amount of a plan's unfunded vested benefits under this section shall be the excess of the plan's vested benefits amount (determined under paragraph (b)(1) of this section) over the value of the plan's assets (determined under paragraph (b)(2) of this section).

(1) *Vested benefits amount.* A plan's vested benefits amount under this section shall be the plan's current liability (within the meaning of section 302(d)(7) of ERISA and section 412(1)(7) of the Code) determined by taking into account only vested benefits and by using an interest rate equal to the applicable percentage of the annual yield for 30-year Treasury constant maturities, as reported in Federal Reserve Statistical Release G.13 and H.15, for the calendar month preceding the calendar month in which the premium payment year begins. If the interest rate (or rates) used by the plan to determine current liability was (or were all) not greater than the required interest rate, the vested benefits need not be revalued if an enrolled actuary certifies that the interest rate (or interest rates) used was (or were all) not greater than the required interest rate. For purposes of this paragraph (b)(1) (subject to the provisions of § 4006.5(g), dealing with plans of regulated public utilities), the applicable percentage is—

(i) For a premium payment year that begins before July 1997, 80 percent;

(ii) For a premium payment year that begins after June 1997 and before the first premium payment year to which the first tables prescribed under section 302(d)(7)(C)(ii)(II) of ERISA and section 412(1)(7)(C)(ii)(II) of the Code apply, 85 percent; and

(iii) For the first premium payment year to which the first tables prescribed under section 302(d)(7)(C)(ii)(II) of ERISA and section 412(1)(7)(C)(ii)(II) of the Code apply and any subsequent plan year, 100 percent.

(2) *Value of assets*—(i) *Actuarial value.* For a premium payment year that is described in paragraph (b)(1)(i) or (b)(1)(ii) of this section, the value of the plan's assets shall be their actuarial value determined in accordance with section 302(c)(2) of ERISA and section 412(c)(2) of the Code.

(ii) *Fair market value.* For a premium payment year that is described in paragraph (b)(1)(iii) of this section, the value of the plan's assets shall be their fair market value.

(iii) *Use of credit balance.* The value of the plan's assets shall not be reduced by a credit balance in the funding standard account.

(iv) *Contributions.* Contributions owed for any plan year preceding the premium payment year shall be included for plans with 500 or more participants and may be included for any other plan. Contributions may be included only to the extent such contributions have been paid into the plan on or before the earlier of the due date for payment of the variable-rate portion of the premium under § 4007.11 or the date that portion is paid. Contributions included that are paid after the last day of the plan year preceding the premium payment year shall be discounted at the plan asset valuation rate (on a simple or compound basis in accordance with the plan's discounting rules) to such last day to reflect the date(s) of payment. Contributions for the premium payment year may not be included for any plan.

(c) *Alternative method for calculating unfunded vested benefits.* In lieu of determining the amount of the plan's unfunded vested benefits pursuant to paragraph (a) of this section, a plan administrator may calculate the amount of a plan's unfunded vested benefits under this paragraph (c) using the plan's Form 5500, Schedule B, for the plan year preceding the premium payment year. Pursuant to this paragraph (c), unfunded vested benefits shall be determined, in accordance with the Premium Payment Package, from values for the plan's vested benefits and assets that are required to be reported on the plan's Schedule B. The value of the vested benefits shall be adjusted in accordance with paragraph (c)(1) of this section to reflect accruals during the plan year preceding the premium payment year and with paragraph (c)(2) of this section to reflect the interest rate prescribed in paragraph (b)(1) of this section, and the value of the assets shall be adjusted in accordance with paragraph (c)(4) of this section. (If the plan administrator certifies that the interest rate (or rates) used to determine the vested benefit values taken from the Schedule B was (or were all) not greater than the interest rate prescribed in paragraph (b)(1) of this section, the interest rate adjustment prescribed in paragraph (c)(2) of this section is not required.) The resulting unfunded vested benefits amount shall be adjusted in accordance with paragraph (c)(5) of this section to reflect the passage of time from the date of the Schedule B data to the last day of the plan year preceding the premium payment year.

(1) *Vested benefits adjustment for accruals.* The total value of the plan's current liability as of the first day of the plan year preceding the premium payment year for vested benefits of active and terminated vested participants not in pay status, computed in accordance with section 302(d)(7) of ERISA and section 412(l)(7) of the Code, shall be adjusted to reflect the increase in vested benefits attributable to accruals during the plan year preceding the premium payment year by multiplying that value by 1.07.

(2) *Vested benefits interest rate adjustment.* The value of vested benefits as entered on the Schedule B shall be adjusted in accordance with the following formula (except as provided in paragraph (c)(3) of this section) to reflect the interest rate prescribed in paragraph (b)(1) of this section:

$$VB_{adj} = VB_{PAY} \times .94^{(RIR-BIR)} + VB_{NON-PAY} \times .94^{(RIR-BIR)} \times ((100+BIA)/(100+RIR))^{(ARA-50)};$$

where—

(i) VB_{adj} is the adjusted vested benefits amount (as of the first day of the plan year preceding the premium payment year) under the alternative calculation method;

(ii) VB_{PAY} is the plan's current liability as of the first day of the plan year preceding the premium payment year for vested benefits of participants and beneficiaries in pay status, computed in accordance with section 302(d)(7) of ERISA and section 412(l)(7) of the Code;

(iii) $VB_{NON-PAY}$ is the total of the plan's current liability as of the first day of the plan year preceding the premium payment year for vested benefits of active and terminated vested participants not in pay status, computed in accordance with section 302(d)(7) of ERISA and section 412(l)(7) of the Code, multiplied by 1.07 in accordance with paragraph (c)(1) of this section;

(iv) RIR is the required interest rate prescribed in paragraph (b)(1) of this section;

(v) BIR is the post-retirement current liability interest rate used to determine the pay-status current liability figure referred to in paragraph (c)(2)(ii) of this section;

(vi) BIA is the pre-retirement current liability interest rate used to determine the pre-pay-status current liability figures referred to in paragraph (c)(2)(iii) of this section; and

(vii) ARA is the plan's assumed weighted average retirement age.

(3) *Optional use of substitution factors in interest rate adjustment formula.* In lieu of the term, $.94^{(RIR-BIR)}$, in the formula prescribed by paragraph (c)(2) of this section, a plan administrator may use the optional substitution factor provided in the Premium Payment Package.

(4) *Adjusted value of plan assets.* The value of plan assets shall be the actuarial value of plan assets as of the first day of the plan year preceding the premium payment year, determined in accordance with section 302(c)(2) of ERISA and section 412(c)(2) of the Code without reduction for any credit balance in the plan's funding standard account, unless that amount was determined as of a date other than the first day of the plan year preceding the premium payment year or the premium payment year is described in § 4006.4(b)(1)(iii). In either of those events, the value of plan assets shall be the current value of assets (as reported on Form 5500) as of that first day or (if Form 5500–EZ is filed) as of the last day of the plan year preceding the Schedule B year. The value of assets from the Schedule B shall be adjusted in accordance with paragraph (b)(2) of this section, except that the amount of all contributions that are included in the value of assets and that were made after the first day of the plan year preceding the premium payment year shall be discounted to such first day at the interest rate prescribed in paragraph (b)(1) of this section for the premium payment year, compounded annually except that simple interest may be used for any partial years.

(5) *Adjustment for passage of time.* The amount of the plan's unfunded vested benefits shall be adjusted to reflect the passage of time between the date of the Schedule B data (the first day of the plan year preceding the premium payment year) and the last day of the plan year preceding the premium payment year in accordance with the following formula:

$$UVB_{adj} = (VB_{adj} - A_{adj}) \times (1 + RIR/100)^{Y};$$

where—

(i) UVB_{adj} is the amount of the plan's adjusted unfunded vested benefits;

(ii) VB_{adj} is the value of the adjusted vested benefits calculated in accordance with paragraphs (c)(1) and (c)(2) of this section;

(iii) A_{adj} is the adjusted asset amount calculated in accordance with paragraph (c)(3) of this section;

(iv) RIR is the required interest rate prescribed in paragraph (b)(1) of this section; and

(v) Y is deemed to be equal to 1 (unless the plan year preceding the premium payment year is a short plan year, in which case Y is the number of years between the first day and the last day of the short plan year, expressed as a decimal fraction of 1.0 with two digits to the right of the decimal point).

(d) *Restrictions on alternative calculation method for large plans.* (1) The alternative calculation method described in paragraph (c) of this section may be used for a plan with 500 or more participants as of the last day of the plan year preceding the premium payment year only if—

(i) No significant event, as described in paragraph (d)(2) of this section, has occurred between the first day and the last day of the plan year preceding the premium payment year, and an enrolled actuary so certifies in accordance with the Premium Payment Package; or

(ii) An enrolled actuary makes an appropriate adjustment to the value of unfunded vested benefits to reflect the occurrence of significant events that have occurred between those dates and certifies to that fact in accordance with the Premium Payment Package.

(2) The significant events described in this paragraph are—

(i) An increase in the plan's actuarial costs (consisting of the plan's normal

cost under section 302(b)(2)(A) of ERISA and section 412(b)(2)(A) of the Code, amortization charges under section 302(b)(2)(B) of ERISA and section 412(b)(2)(B) of the Code, and amortization credits under section 302(b)(3)(B) of ERISA and section 412(b)(3)(B) of the Code) attributable to a plan amendment, unless the cost increase attributable to the amendment is less than 5 percent of the actuarial costs determined without regard to the amendment;

(ii) The extension of coverage under the plan to a new group of employees resulting in an increase of 5 percent or more in the plan's liability for accrued benefits;

(iii) A plan merger, consolidation or spinoff that is not *de minimis* pursuant to the regulations under section 414(l) of the Code;

(iv) The shutdown of any facility, plant, store, etc., that creates immediate eligibility for benefits that would not otherwise be immediately payable for participants separating from service;

(v) The offer by the plan for a temporary period to permit participants to retire at benefit levels greater than that to which they would otherwise be entitled;

(vi) A cost-of-living increase for retirees resulting in an increase of 5 percent or more in the plan's liability for accrued benefits; and

(vii) Any other event or trend that results in a material increase in the value of unfunded vested benefits.

§ 4006.5 Exemptions and special rules.

(a) *Variable-rate premium exemptions.* A plan described in any of paragraphs (a)(1)–(a)(5) of this section is not required to determine its unfunded vested benefits under § 4006.4 and does not owe a variable-rate premium under § 4006.3(b).

(1) *Certain fully funded plans.* A plan is described in this paragraph if the plan had fewer than 500 participants on the last day of the plan year preceding the premium payment year, and an enrolled actuary certifies in accordance with the Premium Payment Package that, as of that date, the plan had no unfunded vested benefits (valued at the interest rate prescribed in § 4006.4(b)(1)).

(2) *Plans without vested benefit liabilities.* A plan is described in this paragraph if it did not have any participants with vested benefits as of the last day of the plan year preceding the premium payment year, and the plan administrator so certifies in accordance with the Premium Payment Package.

(3) *Section 412(i) plans.* A plan is described in this paragraph if the plan was a plan described in section 412(i) of the Code and the regulations thereunder on the last day of the plan year preceding the premium payment year and the plan administrator so certifies, in accordance with the Premium Payment Package.

(4) *Plans terminating in standard terminations.* The exemption for a plan described in this paragraph is conditioned upon the plan's making a final distribution of assets in a standard termination. If a plan is ultimately unable to do so, the exemption is revoked and all variable-rate amounts not paid pursuant to this exemption are due retroactive to the applicable due date(s). A plan is described in this paragraph if—

(i) The plan administrator has issued notices of intent to terminate the plan in a standard termination in accordance with section 4041(a)(2) of ERISA; and

(ii) The proposed termination date set forth in the notice of intent to terminate is on or before the last day of the plan year preceding the premium payment year.

(5) *Plans at full funding limit.* A plan is described in this paragraph if, on or before the earlier of the due date for payment of the variable-rate portion of the premium under § 4007.11 or the date that portion is paid, the plan's contributing sponsor or contributing sponsors made contributions to the plan for the plan year preceding the premium payment year in an amount not less than the full funding limitation for such preceding plan year under section 302(c)(7) of ERISA and section 412(c)(7) of the Code (determined in accordance with paragraphs (a)(5)(i) and (a)(5)(ii) of this section). In order for a plan to qualify for this exemption, an enrolled actuary must certify that the plan has

met the requirements of this paragraph.

(i) *Determination of full funding limitation.* The determination of whether contributions for the preceding plan year were in an amount not less than the full funding limitation under section 302(c)(7) of ERISA and section 412(c)(7) of the Code for such preceding plan year shall be based on the methods of computing the full funding limitation, including actuarial assumptions and funding methods, used by the plan (provided such assumptions and methods met all requirements, including the requirements for reasonableness, under section 302 of ERISA and section 412 of the Code) with respect to such preceding plan year. Plan assets shall not be reduced by the amount of any credit balance in the plan's funding standard account.

(ii) *Rounding of de minimis amounts.* Any contribution that is rounded down to no less than the next lower multiple of one hundred dollars (in the case of full funding limitations up to one hundred thousand dollars) or to no less than the next lower multiple of one thousand dollars (in the case of full funding limitations above one hundred thousand dollars) shall be deemed for purposes of this paragraph to be in an amount equal to the full funding limitation.

(b) *Special rule for determining vested benefits for certain large plans.* With respect to a plan that had 500 or more participants on the last day of the plan year preceding the premium payment year, if an enrolled actuary determines pursuant to § 4006.4(a) that the actuarial value of plan assets equals or exceeds the value of all benefits accrued under the plan (valued at the interest rate prescribed in § 4006.4(b)(1)), the enrolled actuary need not determine the value of the plan's vested benefits, and may instead report in the Premium Payment Package the value of the accrued benefits.

(c) *Special rule for determining unfunded vested benefits for plans terminating in distress or involuntary terminations.* A plan described in this paragraph may determine its unfunded vested benefits by using the special alternative calculation method set forth in this paragraph. A plan is described in this paragraph if it has issued notices of intent to terminate in a distress termination in accordance with section 4041(a)(2) of ERISA with a proposed termination date on or before the last day of the plan year preceding the premium payment year, or if the PBGC has instituted proceedings to terminate the plan in accordance with section 4042 of ERISA and has sought a termination date on or before the last day of the plan year preceding the premium payment year. Pursuant to this paragraph, a plan shall determine its unfunded vested benefits in accordance with the alternative calculation method in § 4006.4(c), except that—

(1) The calculation shall be based on the Form 5500, Schedule B, for the plan year which includes (in the case of a distress termination) the proposed termination date or (in the case of an involuntary termination) the termination date sought by the PBGC, or, if no Schedule B is filed for that plan year, on the Schedule B for the immediately preceding plan year;

(2) All references in § 4006.4(c) and § 4006.4(d) to the first day of the plan year preceding the premium payment year shall be deemed to refer to the first day of the plan year for which the Schedule B was filed;

(3) The value of the sum of the plan's current liability as of the first day of the plan year preceding the premium payment year for vested benefits of active and terminated vested participants not in pay status, computed in accordance with section 302(d)(7) of ERISA and section 412(l)(7) of the Code, shall be adjusted (in lieu of the adjustment required by § 4006.4(c)(1)) by multiplying that value by the sum of 1 plus the product of .07 and the number of years (rounded to the nearest hundredth of a year) between the date of the Schedule B data and (in the case of a distress termination) the proposed termination date or (in the case of an involuntary termination) the termination date sought by the PBGC; and

(4) The exponent, ''Y,'' in the time adjustment formula of § 4006.4(c)(5) shall be deemed to equal the number of years (rounded to the nearest hundredth of a year) between the date of the Schedule B data and the last day of

the plan year preceding the premium payment year.

(d) *Special determination date rule for new and newly-covered plans.* In the case of a new plan or a newly-covered plan, all references in §§ 4006.3, 4006.4, and paragraphs (a) and (b) of this section to the last day of the plan year preceding the premium payment year shall be deemed to refer to the first day of the premium payment year or, if later, the date on which the plan became effective for benefit accruals for future service, and for purposes of determining the plan's premium, the number of plan participants, and (for a single-employer plan) the amount of the plan's unfunded vested benefits and the applicability of any exemption or special rule under paragraph (a) or (b) of this section, shall be determined as of such first day or later date.

(e) *Special determination date rule for certain mergers and spinoffs.* (1) With respect to a plan described in paragraph (e)(2) of this section, all references in §§ 4006.3, 4006.4, and this section, as applicable, to the last day of the plan year preceding the premium payment year shall be deemed to refer to the first day of the premium payment year.

(2) A plan is described in this paragraph (e)(2) if—

(i) The plan engages in a merger or spinoff that is not *de minimis* pursuant to the regulations under section 414(l) of the Code (in the case of single-employer plans) or pursuant to part 4231 of this chapter (in the case of multiemployer plans), as applicable;

(ii) The merger or spinoff is effective on the first day of the plan's premium payment year; and

(iii) The plan is the transferee plan in the case of a merger or the transferor plan in the case of a spinoff.

(f) *Proration for certain short plan years.* The premium for a plan that has a short plan year as described in this paragraph (f) is prorated by the number of months in the short plan year (treating a part of a month as a month). The proration applies whether or not the short plan year ends by the premium due date for the short plan year. For purposes of this paragraph (f), there is a short plan year in the following circumstances:

(1) *New plan.* A new or newly-covered plan becomes effective for premium purposes on a date other than the first day of its first plan year.

(2) *Change in plan year.* A plan amendment changes the plan year, but only if the plan does not merge into or consolidate with another plan or otherwise cease its independent existence either during the short plan year or at the beginning of the full plan year following the short plan year.

(3) *Distribution of assets.* The plan's assets (other than any excess assets) are distributed pursuant to the plan's termination.

(4) *Appointment of trustee.* The plan is a single-employer plan, and a plan trustee is appointed pursuant to section 4042 of ERISA.

[61 FR 34016, July 1, 1996, as amended at 62 FR 60428, Nov. 7, 1997; 65 FR 75163, Dec. 1, 2000]

§ 4006.6 Definition of "participant."

(a) *General rule.* For purposes of this part and part 4007 of this chapter, an individual is considered to be a participant in a plan on any date if the plan has benefit liabilities with respect to the individual on that date.

(b) *Loss or distribution of benefit.* For purposes of this section, an individual is treated as no longer being a participant—

(1) In the case of an individual with no vested accrued benefit, after—

(i) The individual incurs a one-year break in service under the terms of the plan,

(ii) The individual's entire ''zero-dollar'' vested accrued benefit is deemed distributed under the terms of the plan, or

(iii) The individual dies; and

(2) In the case of a living individual whose accrued benefit is fully or partially vested, or a deceased individual whose accrued benefit was fully or partially vested at the time of death, after—

(i) An insurer makes an irrevocable commitment to pay all benefit liabilities with respect to the individual, or

(ii) All benefit liabilities with respect to the individual are otherwise distributed.

(c) *Examples.* The operation of this section is illustrated by the following examples:

Example 1. Participation under a calendar-year plan begins upon commencement of employment, and the only benefit provided by the plan is an accrued benefit (expressed as a life annuity beginning at age 65) of $30 per month times full years of service. The plan credits a ratable portion of a full year of service for service of at least 1,000 hours but less than 2,000 hours in a service computation period that begins on the date when the participant commences employment and each anniversary of that date. John and Mary both commence employment on July 1, 2000. On December 31, 2000 (the snapshot date for the plan's 2001 premium), John has credit for 988 hours of service and Mary has credit for 1,006 hours of service. For purposes of this section, Mary is considered to have an accrued benefit, and John is considered not to have an accrued benefit. Thus, the plan is considered to have benefit liabilities with respect to Mary, but not John, on December 31, 2000; and Mary, but not John, must be counted as a participant for purposes of computing the plan's 2001 premium.

Example 2. The plan also provides that a participant becomes vested five years after commencing employment and defines a one-year break in service as a service computation period in which less than 500 hours of service is performed. On February 1, 2002, John has an accrued benefit of $18 per month beginning at age 65 based on credit for 1,200 hours of service in the service computation period that began July 1, 2000. However, John has credit for only 492 hours of service in the service computation period that began July 1, 2001. On February 1, 2002, John terminates his employment. On December 31, 2002 (the snapshot date for the 2003 premium), John has incurred a one-year break in service, and thus is not counted as a participant for purposes of computing the plan's 2003 premium.

Example 3. On January 1, 2004, the plan is amended to provide that if a vested participant whose accrued benefit has a present value of $5,000 or less leaves employment, the benefit will be immediately cashed out. On December 30, 2005, Jane, who has a vested benefit with a present value of less than $5,000, leaves employment. Because of reasonable administrative delay in determining the amount of the benefit to be paid, the plan does not pay Jane the value of her benefit until January 9, 2006. Under the provisions of this section, Jane is treated as not having an accrued benefit on December 31, 2005 (the snapshot date for the 2006 premium), because Jane's benefit is treated as having been paid on December 30, 2005. Thus, Jane is not counted as a participant for purposes of computing the plan's 2006 premium.

Example 4. If the plan amendment had instead provided for cashouts as of the first of the month following termination of employment, and the plan paid Jane the value of her benefit on January 1, 2006, Jane would be treated under the provisions of this section as having an accrued benefit on December 31, 2005, and would thus be counted as a participant for purposes of computing the plan's 2006 premium.

[65 FR 75163, Dec. 1, 2000]

PART 4007—PAYMENT OF PREMIUMS

Sec.

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§ 4007.1 Purpose and scope.

This part, which applies to all plans that are covered by title IV of ERISA, provides procedures for paying the premiums imposed by sections 4006 and 4007 of ERISA. (See part 4006 of this chapter for premium rates and computational rules.)

§ 4007.2 Definitions.

(a) The following terms are defined in § 4001.2 of this chapter: Code, contributing sponsor, ERISA, insurer, IRS, multiemployer plan, notice of intent to terminate, PBGC, plan, plan administrator, plan year, and single-employer plan.

(b) For purposes of this part, the following terms are defined in § 4006.2 of this chapter: new plan, newly covered plan, participant, premium payment year, and short plan year.