PBGC Issues Final Rule Fixing the Termination Date when Sponsor is in Bankruptcy

June 23, 2011

The Pension Benefit Guaranty Corporation published a final rule effective July 14, 2011, to implement a change to the benefits PBGC pays. Under the Pension Protection Act of 2006, when an underfunded pension plan terminates during the bankruptcy of the plan sponsor, the date that the sponsor's bankruptcy petition was filed is treated as the plan's termination date for purposes of determining (1) the amount of benefits PBGC guarantees, and (2) the amount of benefits in priority category 3 in the asset allocation. The change applies if the bankruptcy petition was filed on or after September 16, 2006. A copy can be found here.