

Extended Due Date for Inclusion of Prior Year Contributions

By: John Kirk on November 17, 2020 on graydon.law

The CARES Act extended the due date for making 2020 contributions to a defined benefit plan to January 1, 2021. In IRS Notice 2020-82, the IRS has now clarified that the 2020 contributions will be treated as timely if made by January 4, 2021, the first business day after January 1, 2021.

In response, the PBGC immediately adjusted its prior guidance to account for the extended contribution due date. As discussed in our prior blog [post](#), earlier this year the PBGC issued FAQs that gave plan sponsors until January 1, 2021, to make their 2019 contributions and have that contribution reflected in the calculation of the variable rate premium due on that date. This week, the PBGC followed the lead of the IRS and updated their guidance to account for January 1 being a Friday and a holiday.

Now, for premium filings due on or after March 1, 2020 and before January 1, 2021, the date by which prior year contributions must be received by the plan to be included in plan assets is extended to January 4, 2021.

Because of this relief, the discounted value of a “prior year contribution” received after the premium is filed and on or before January 4, 2021, may be included in the asset value used to determine the variable-rate premium. As discussed previously, if such a contribution is made, the premium filing may be amended to revise the originally reported asset value and resulting variable-rate premium.

This relief has no effect on premium due dates (e.g., for calendar year plans, the 2020 premium is due October 15, 2020) and does not permit a premium filing to reflect a contribution that has not yet been made.

If you have any questions about your PBGC premiums or any benefits related item please contact any of Graydon’s Employee Benefits team.