



PBGC Issues Final Regulations Protecting Pension Benefits of Service Members

The PBGC issued final regulations modifying its existing regulations to allow the PBGC to pay benefits to reemployed service members with respect to distress or involuntarily terminated pension plans.

Background

Under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), an employee who leaves his or her job to serve in the military is generally entitled to reemployment by the preservice employer. Upon reemployment, the service member is entitled to receive credit for benefits, including pension plan benefits, that would have accrued if the service member had remained continuously employed.

When a pension plan covered by the PBGC is terminated in either a distress or involuntary termination, the amount of benefits to be paid by the PBGC is determined as of the plan's termination date. Under existing PBGC regulations, the pension plan benefit is guaranteed only if the participant satisfies the conditions for entitlement to the benefit on or before the plan's termination date. Thus, an individual serving in the military on the plan's termination date would not be able to timely meet the USERRA reemployment condition that would ensure benefits.

Final Regulations

To avoid this result, the PBGC has issued [final regulations](#) that modify the rules relating to the payment of benefits with respect to distress or involuntarily terminated single-employer pension plans. Under the final regulations, if a service member is reemployed within the time limits set by USERRA, the service member is deemed to satisfy the reemployment requirement for purposes of the benefit guarantee, even if reemployment occurs after the pension plan's termination.

The final regulations are effective December 17, 2009, and apply for purposes of any reemployment on or after December 12, 1994.

Conclusion

Buck's consultants are available to answer questions you may have regarding these final regulations.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.