

Pension Benefit Guaranty Corporation

74-17

November 14, 1974

REFERENCE:

[*1] 4021(a) Plans Covered. Requirements of Coverage
4021(b)(1). Plans covered. Individual Account Plans
4021(b)(12) Plans Covered. Partial Individual Account Plans
4021(b)(13) Plans Covered. Professional Service Employer Plans

OPINION:

This is in response to your recent letter raising the following questions: (1) which defined benefit plans must pay the Termination Insurance premiums? (2) Are "Professional Service Corporations" excluded from coverage under Section 4021(b)(13) of the Act? (3) Are assumed (target) benefit plans excluded from coverage on the basis that they are "in essence individual account plans even though they are calculated similar to defined benefit plans"?

All defined benefit plans which meet the requirements of Section 4021(a) of the Act are covered. If the plan provides a benefit, a portion of which is defined and a portion of which is based on the individual's "separate account" (as defined in Section 3(17) of the Act), then the benefit is excluded from coverage to the extent the benefit is based on the "separate account." (Section 4021(b)(12)).

Those plans meeting the requirements of Section 4021(b)(13) are excluded from coverage. The latter section requires that [*2] the plan be "established or maintained by a professional service employer" and have no more than 25 active participants after the date of enactment. The professional service employer must be owned or controlled by "professional individuals."

As regards "target benefit" plans, the latter are covered if the defined benefit objective is the subject of a minimum guarantee; however, if no benefit is guaranteed upon the occurrence of inadequate contributions to satisfy the "target benefit," then the plan is not covered by the plan termination insurance program.

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