REFERENCE:
[*1] 4041 Termination by Plan Administrator

OPINION:

This is in response to your letter asking the position of the Pension Benefit Guaranty Corporation ("PBGC") on the payment of premiums on life insurance policies held by a pension trust during the 90 day period allowed PBGC under Section 4041(a) of the Employee Retirement Income Security Act of 1974 ("ERISA").

Although the terms of the trust may provide otherwise, no distribution of trust assets pursuant to the plan termination may be made before the expiration of the 90 day period under § 4040(a) of ERISA. Whether to pay premiums on life insurance policies during the 90 day period is a decision that ultimately must be made by the plan administrator. PBGC will permit the payment of premiums necessary to continue life insurance coverage until the assets are distributed. The plan administrator should attempt to pay premiums only for the period of coverage until termination by arranging for pro rata or other short-term premium arrangements.

I hope this information is helpful.

Henry Rose
General Counsel