



THE PENSION BENEFIT GUARANTY CORPORATION (PBGC)

What you need to know

PURPOSE OF THE PBGC

The Pension Benefit Guaranty Corporation (PBGC) is a federal agency created to protect the pension benefits for private-sector employees covered by plans that define the amount payable at retirement (defined benefit plans). If a defined benefit plan terminates without sufficient funds to pay all participants their promised benefits, the PBGC places a lien on the business, takes over the plan's investments, and pays the benefits (up to the limits set by law).

WHO IS COVERED?

The PBGC requires coverage for most private-sector employer defined benefit plans. This also includes cash balance plans, a type of defined benefit plan. Plans covered by PBGC insurance are exempt from the combined-plan deduction limit for tax purposes.

WHO IS NOT COVERED?

The PBGC does not insure defined contribution plans, such as 401(k) plans. In addition, certain defined benefit plans are exempt from PBGC coverage, as follows:

- Church plans and governmental employer plans
- Plans covering only substantial owners (participants each own over 10% of the employer)
- Professional service employer plans with less than 26 active eligible employees

A "professional service employer" primarily performs "professional" services and is owned or controlled by one or more "professional individuals" (can include certain financial advisors). Although a "professional individual" is not strictly defined, it will always include physicians, dentists, chiropractors, osteopaths, optometrists, other licensed practitioners of the healing arts, attorneys at law, public accountants, public engineers, architects, draftsmen, actuaries, psychologists, social or physical scientists, and performing artists.

COSTS OF COVERAGE

Covered plans are required to pay an annual premium to the PBGC for this insurance. PBGC premiums for 2025 are below. Additional details can be found [here](#).

Single-employer per participant flat-rate: \$106

Single-employer per participant cap variable rate: \$717

