

PREPARING FOR PLAN TERMINATION

The plan termination process is complex and detail-oriented. Harper Danesh is ready to help your organization make the process as predictable and smooth as possible.

We can help you assess the financial impact of a range of possibilities and outcomes to determine the amount and timing of funding requirements. It's important to consider the required cash, financial statement impact, one-time fees your organization could incur, and the adjustment to your investment strategy.



Financial Understanding

We can help you determine whether your plan is a good candidate for short-term de-risking strategies. Options to be considered include freezing your plan, designing replacement benefits, offering a lump sum window, and considering selective annuity purchases.



Short-term De-risking

Conducting an independent, third-party audit is a prudent first step in ensuring plan compliance before embarking on any de-risking strategy, especially plan termination. We use a streamlined process to perform an independent audit of your plan document, data and accrued benefit calculations. This includes a legal plan document review, quality assurance of data calculations, location of missing participants, and review of Qualified Domestic Relations Orders.



Data Audit

We will work with you to develop a comprehensive communication strategy. Plan termination requires technical documentation that should be converted to more user-friendly communication pieces.



Employee Communication

The above preparation steps will position your organization to begin the termination process. The steps to defined benefit plan termination are outlined on the reverse side, including action items, deadlines and the organizations involved.



STEPS TO DEFINED BENEFIT PLAN TERMINATION

1 EXECUTE CORPORATE RESOLUTION TO TERMINATE PENSION PLAN AND ADOPT AMENDMENT TO TERMINATE

- ▶ Plan sponsor determines timing once the decision is made to terminate the plan



2 DISTRIBUTE NOTICE OF INTENT TO TERMINATE AND NOTICE OF STATE GUARANTY ASSOCIATION COVERAGE OF ANNUITIES

- ▶ 60-90 days before proposed termination date



3 DISTRIBUTED NOTICE TO INTERESTED PARTIES FOR IRS FILINGS

- ▶ 7-21 days before IRS filing (if mailed, 10-24 days)



4 FILE IRS FORMS 5310 AND 6088

- ▶ To request determination letter
- ▶ Before filing the PBGC Form 500



5 DISTRIBUTE NOTICE OF PLAN BENEFITS

- ▶ No later than filing of PBGC Form 500



6 FILE PBGC FORM 500 - STANDARD TERMINATION NOTICE

- ▶ No later than 180 days after the proposed termination date



7 REVIEW PERIOD

- ▶ PBGC can issue a Notice of Noncompliance within 60 days of receipt of PBGC Form 500
- ▶ IRS considers determination letter



8 DISTRIBUTE PENSION PLAN BENEFIT ELECTION FORMS

- ▶ No less than 30 days before the distribution date



9 DISTRIBUTE PENSION PLAN BENEFITS

- ▶ Later of 180 days after expiration of 60-day review period, or 120 days after receipt of IRS favorable determination letter



10 FILE PBGC FORM 501 AND POST DISTRIBUTION CERTIFICATE

- ▶ No later than 30 days after completion of final distribution of assets



11 FILE FINAL FORM 5500 REPORTING INFORMATION

- ▶ On or before the last day of 7th month following completion of distribution of plan assets



When completing plan termination, plan sponsors need to understand the complexity of the process, both pre-termination and during the process. Our team can help you every step of the way.

Who is Involved?



Employer



Attorney



Trustee



PBGC



Harper Danesh



IRS

This overview is merely a summary and should not be relied on exclusively to determine your actions. You should discuss this process with your actuarial consultant.



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