



Preparing for a Pension Plan Termination

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Path to Termination: Planning Ahead

1 PLAN DESIGN

- Plan Freeze
- Plan Document Clean-Up
- Replacement Plan

2 PLAN SIZE

- De-Risking Strategies
- Lump Sum Windows
- Annuity Purchase
- Involuntary Cash-outs

3 PLAN COSTS

- PBGC Premiums
- Administrative Costs
- Termination Costs

4 PLAN ASSETS

- Funded Status
- Contributions
- Liability Driven Investments
- Asset Allocation Glide Path

5 PARTICIPANT DATA

- Missing Data
- Spouse Information
- Missing Participants
- Death Audit

Timing: Now or Later?

CURRENT ENVIRONMENT

- Historically low interest rates
- Funded status inflated by Pension Relief compared to current spot interest rates
- PBGC premiums on the rise
- Increase in frozen pension plans

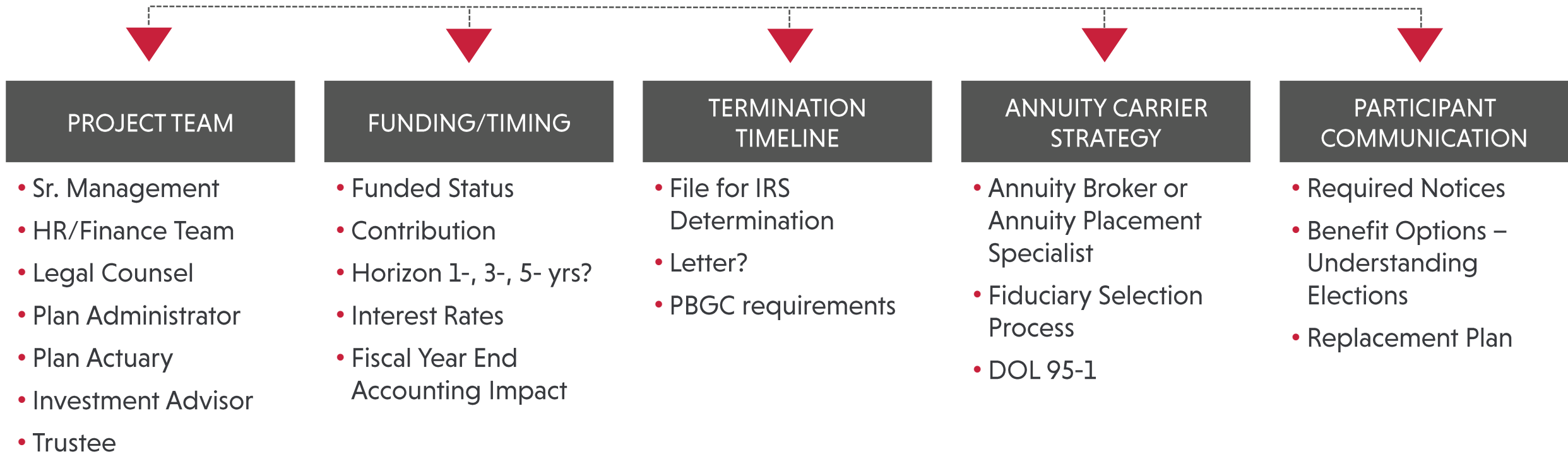
PROJECTED ENVIRONMENT

- Interest rates...Fed plans to increase?
- Expected mortality table updates for 417(e)...expected in 2018, 2019?
- Aging participant population
- Increase in annuity placement activity

MINIMUM PRESENT VALUE SEGMENT RATES				
For Plan Years Beginning In	Month/Year	First Segment	Second Segment	Third Segment
All	Mar-17	2.06	3.95	4.75
All	Feb-17	1.96	3.91	4.69
All	Jan-17	2.00	3.91	4.66
All	Dec-16	2.04	4.03	4.82
All	Nov-16	1.79	3.80	4.71
All	Oct-16	1.57	3.45	4.39
All	Sep-16	1.47	3.34	4.30
All	Aug-16	1.39	3.27	4.18
All	Jul-16	1.36	3.26	4.16
All	Jun-16	1.44	3.46	4.48
All	May-16	1.50	3.60	4.62
All	Apr-16	1.47	3.65	4.62
All	Mar-16	1.68	3.87	4.84

Ready to Terminate?

CONSIDERATIONS



Standard Termination Process

- 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** Distribute Notice to Interested Parties for IRS Filings

 - ◆ 7-21 days before IRS filing (if mailed, 10-24 days)
- 4** File IRS Form 5310 and IRS Form 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 filing (no set timing, typically 9-12 months)
- 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 (or extended) review period or 120 days after receipt of IRS favorable determination letter
- 10** File PBGC Form 501 and Post Distribution Notice

 - ◆ No later than 30 days after completion of final distribution of assets
- 11** File Final Form 5500 Reporting Information

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

Assumes request made for IRS Determination Letter (strongly encouraged but optional) does not apply to Distress Termination or Involuntary Termination; assumes plan is frozen. Steps to freeze plan are not included.

Source: PBGC Standard Termination Filing Instructions

Participant Communication Strategy

- Convert "model" notices into participant-friendly communication
- Keep participants informed of the timeline
- Communicate replacement plan to employees



- Explain distribution options – pros/cons of lump sum vs. annuity elections
- Provide call center support and/or information meetings for questions

Summary



1 Time vs. Cost



2 Peel It Off



3 Clean It Up



4 Fund It Up



5 Seal It Up



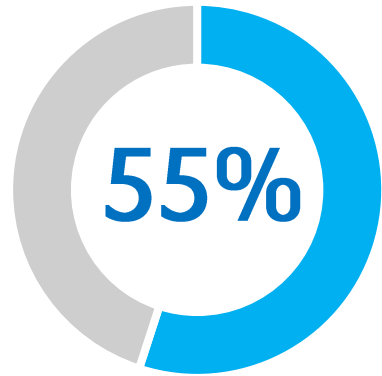
6 Shut It Down

Financial Wellness

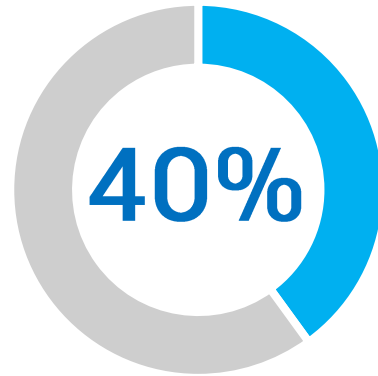
Rachel Weker, Vice President

T. Rowe Price Retirement Plan Services, Inc.

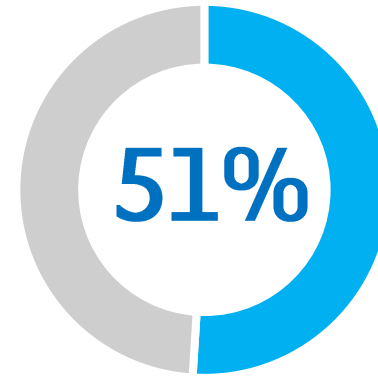
Financial Wellness Issues...



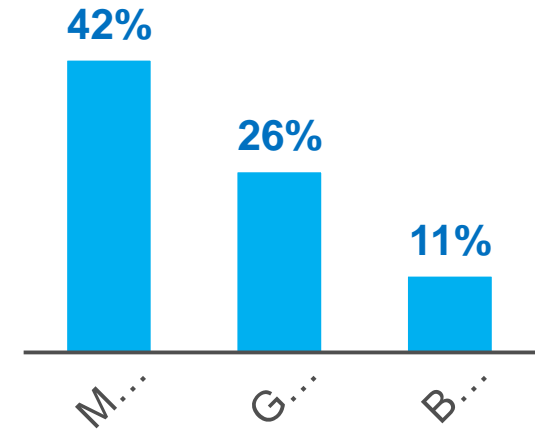
can't cover
emergency expenses is
top concern



have difficulty paying
bills on time



carry credit card debt
(avg. debt of \$16k)

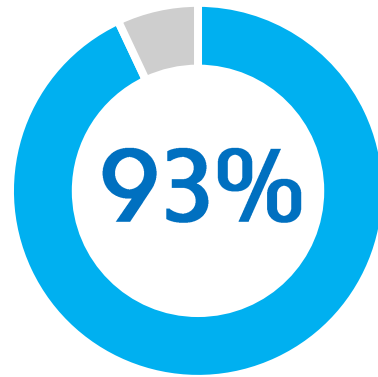


have student loans

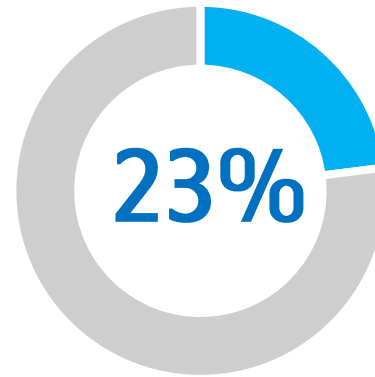
1 PWC Employee Financial Wellness Survey, 2016 results, April 2016.

2 II Metrics and RPS Business Reporting (CPR) as of 12/31/2016. Total Book of Business Metrics.

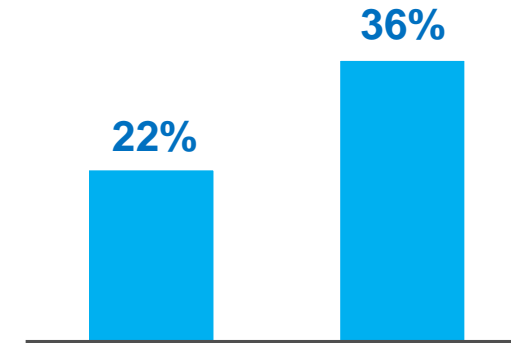
Related to Retirement Challenges



save less than 15%



tap into retirement accounts



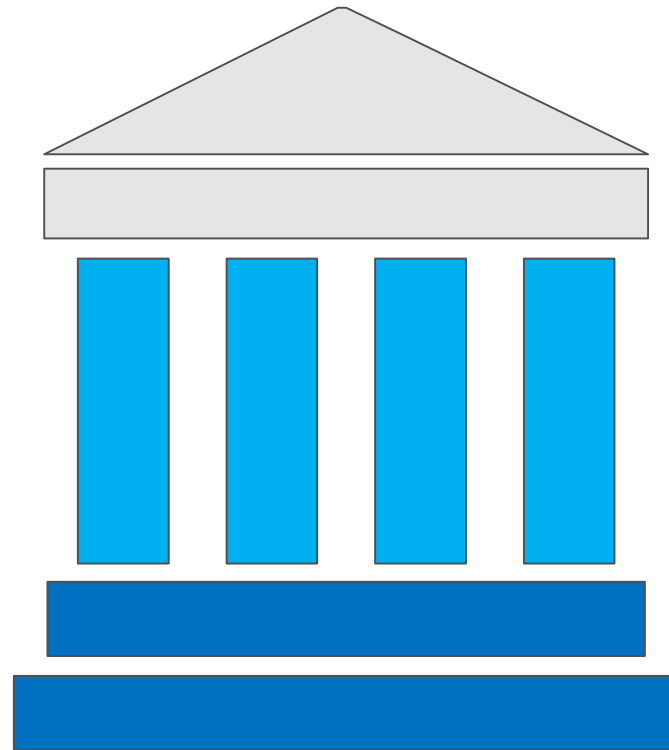
After 1 year After 5 years

liquidate retirement accounts

1 PWC Employee Financial Wellness Survey, 2016 results, April 2016.

2 II Metrics and RPS Business Reporting (CPR) as of 12/31/2016. Total Book of Business Metrics.

Wide Range of Financial Wellness Needs



Advanced

- Trust and Estate
- Income Planning

Intermediate

- Long-term savings needs
- Investing

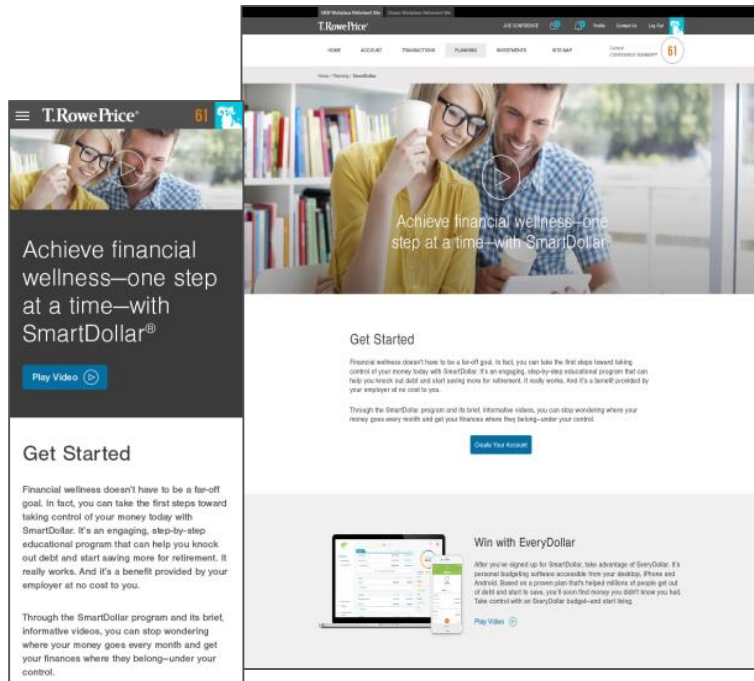
Foundational

- Debt management
- Budgeting
- Emergency preparedness

Initial Components of TRP Financial Wellness Offer



smartdollar



Highly engaging
for employees

Attention-grabbing
topics

Integrated into the
participant experience

Proven to
change behavior¹

Instills **confidence**

Generates **personal**
commitment

¹ SmartDollar, 2015. The average person pays off \$5,300 in debt and saves \$2,700 in the first 90 days of the program. SmartDollar is a third party provider and is not affiliated with T. Rowe Price.

SmartDollar Experience to Date

What They Do

80% are in baby steps 1 to 3

45% intend to save 15% within 2 years

\$8k financial swing within 90 days

How They Feel

Before



Current

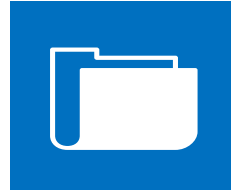


Source: Based on data from 39 clients; 41 plans; 331,277 employees with access.

Product Landscape Evolution and Opportunities



TOOLS



FINANCIAL
LITERACY



SERVICES



COACHING

- Emergence of tools to address discrete objectives (e.g., student loan repayment programs)
- Increased focus on integration of financial literacy and tools in a retirement framework
- Continued focus on behavioral change and implementation of behavioral finance learnings

Opportunities exist to better enable individuals translate engagement into action.



42nd Annual Conference - BIG LEAGUE BENEFITS

May 24-26 2017 • Marriott Marquis Houston

You've saved for retirement, now what?
Helping participants transition to retirement.

Rennie Worsfold, Vice President, Financial Engines

May 25, 2017

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The retirement readiness challenge in America is translating into a workforce management challenge

Massive aggregate U.S. gap

- \$4.13 trillion¹

Low individual 401(k) balances

- Age 60-65 median balance: only \$66K²

Fragmented sources

- DC, DB, IRA, Social Security, spousal

Talent impact driven by increased retention risk due to employees unable to retire

Productivity impact higher absenteeism and potential cognitive decline

P/L impact as older workers unable to retire cost employers \$50,000 a year³

¹ EBRI Retirement Savings Shortfalls: Evidence from EBRI's Retirement Security Projection Model: February, 2015.

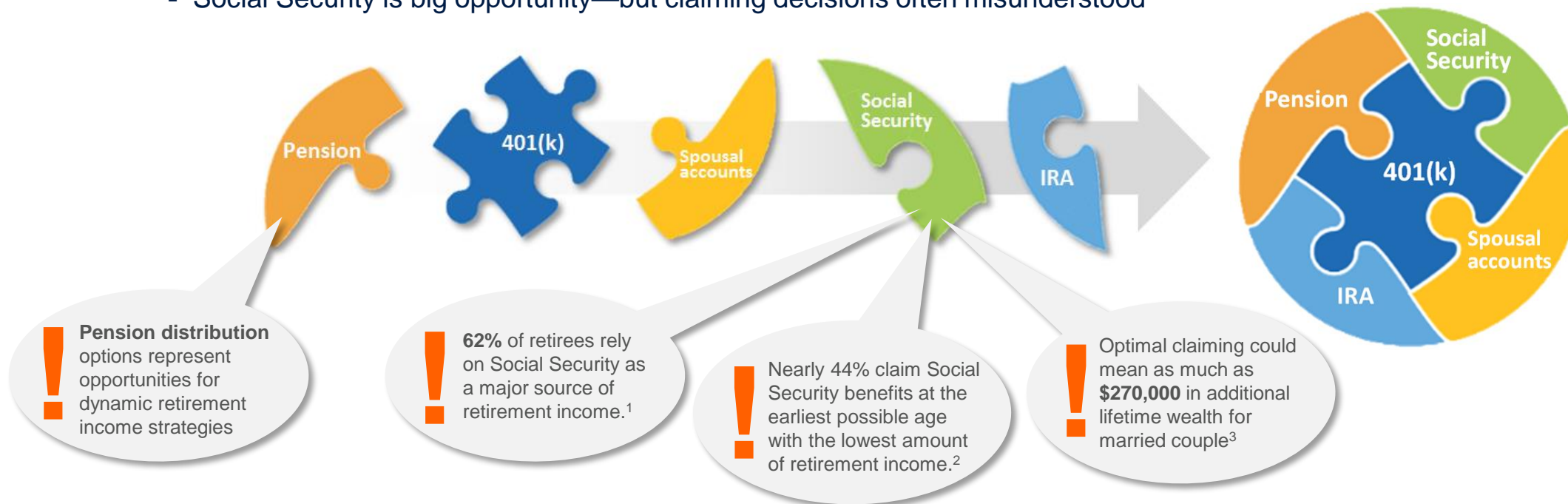
² Financial Engines data warehouse, April 2017.

³ Prudential, Why Employers Should Care About the Cost of Delayed Retirements, 2017.

The problem—and solution—is bigger than the 401k

Holistic decisions can unlock hidden value

- Maximize retirement resources; address any income shortfalls
- Leverage retirement income/savings to increase Social Security benefit
- Social Security is big opportunity—but claiming decisions often misunderstood




¹ EBRI Retirement Confidence Survey, 2014.

² Time, "Why We Make Irrational Decisions About Social Security Benefits," February 2015.

³ Efficient Retirement Design: Combining Private Assets and Social Security to Maximize Retirement Resources." John B. Shoven, Sita N. Slavov. 2012 Retirement Income Summit; October 10, 2012.


Income Planning illustration: Jane & John



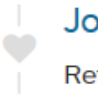
M - F, 9AM - 9PM ET
[877-401-5762](tel:877-401-5762)

Jane ▾ [Log out](#)

Overview
Your Money
Income Planner
Education Center
Get Professional Management



Jane
Retiring at 65



John
Retiring at 65

TOTAL PORTFOLIO ⓘ

\$90,000

as of 05/03/2017

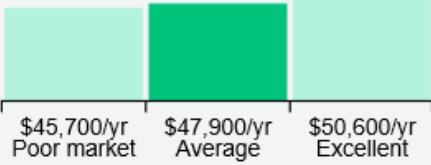
Retirement Paycheck ⓘ

\$47,900_{/yr}

Estimate based on
our investment suggestions and average market
performance

YOUR TARGET: \$66,324/yr [Edit](#)

Target



\$45,700/yr Poor market	\$47,900/yr Average	\$50,600/yr Excellent
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Estimated Income Sources

Income from investments: Explain	\$7,900/yr
Social Security:	\$40,000/yr
Other income, including pensions:	\$0/yr
Total (average market):	\$47,900/yr

Estimates are pre-tax, in today's dollars and not guaranteed.
See Methodology & Assumptions link below.

Provided for illustration only

Social Security deferral translates into significant increase in expected benefits

Initial Strategy
You and John both begin at 65

Expected lifetime benefits [?] **\$1,026,200**

Year	Jane's earned benefits	John's earned benefits	Survivor benefits
65	\$27,800	\$13,700	\$0
66	\$27,800	\$13,700	\$0
67	\$27,800	\$13,700	\$27,800
68	\$27,800	\$13,700	\$27,800
69	\$27,800	\$13,700	\$27,800
70	\$27,800	\$13,700	\$27,800
71	\$27,800	\$13,700	\$27,800
72	\$27,800	\$13,700	\$27,800
73	\$27,800	\$13,700	\$27,800
74	\$27,800	\$13,700	\$27,800
75	\$27,800	\$13,700	\$27,800
76	\$27,800	\$13,700	\$27,800
77	\$27,800	\$13,700	\$27,800
78	\$27,800	\$13,700	\$27,800

- Jane's earned benefits [?] **\$27,800/yr**
- John's earned benefits **\$13,700/yr**
- Survivor benefits [?] **\$27,800/yr**

Way to go Jane and John.

We've found a strategy that gets you more.

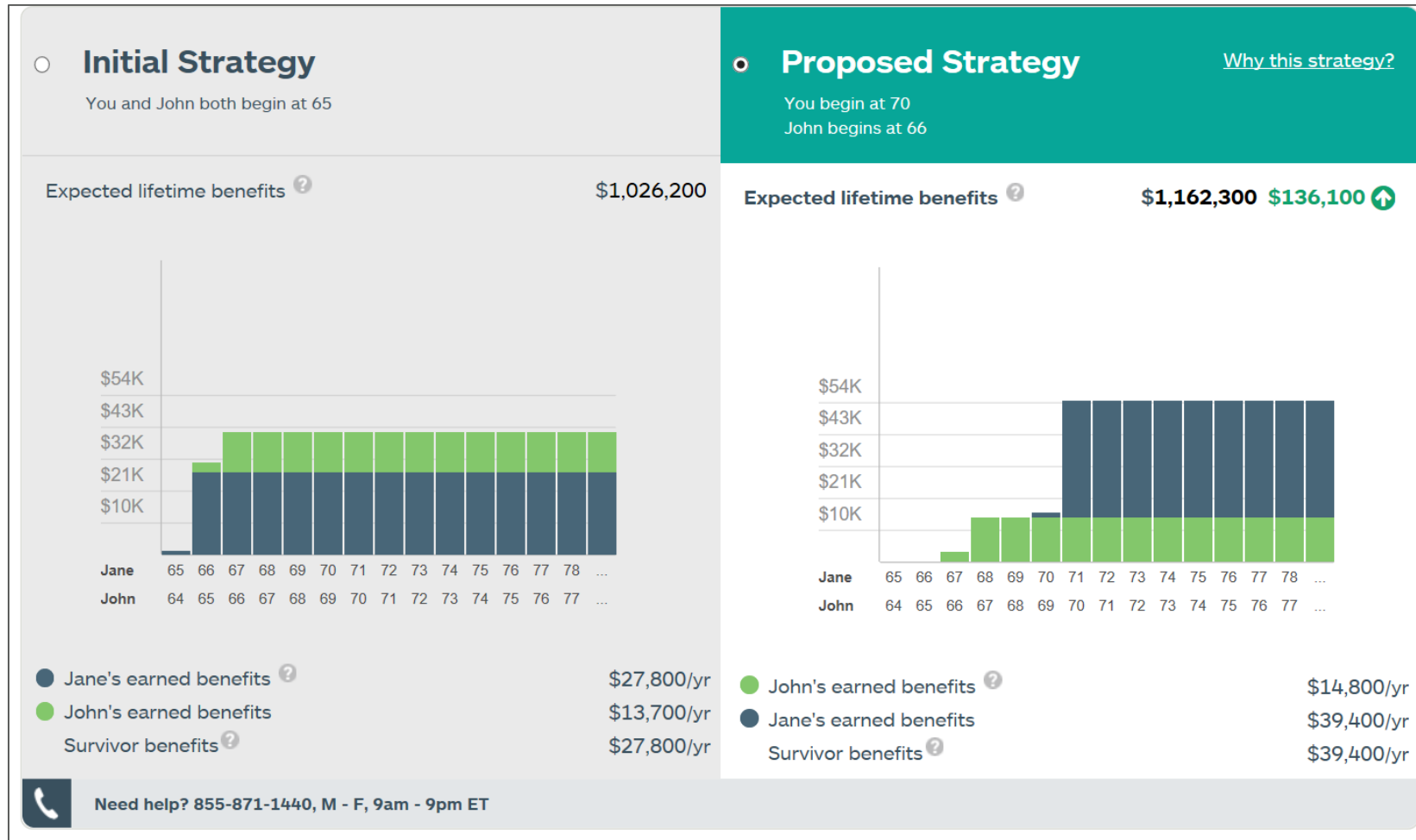
We found **\$136,100** more in expected lifetime benefits [?]

We found **\$11,600** more per year in expected benefits for the surviving spouse [?]

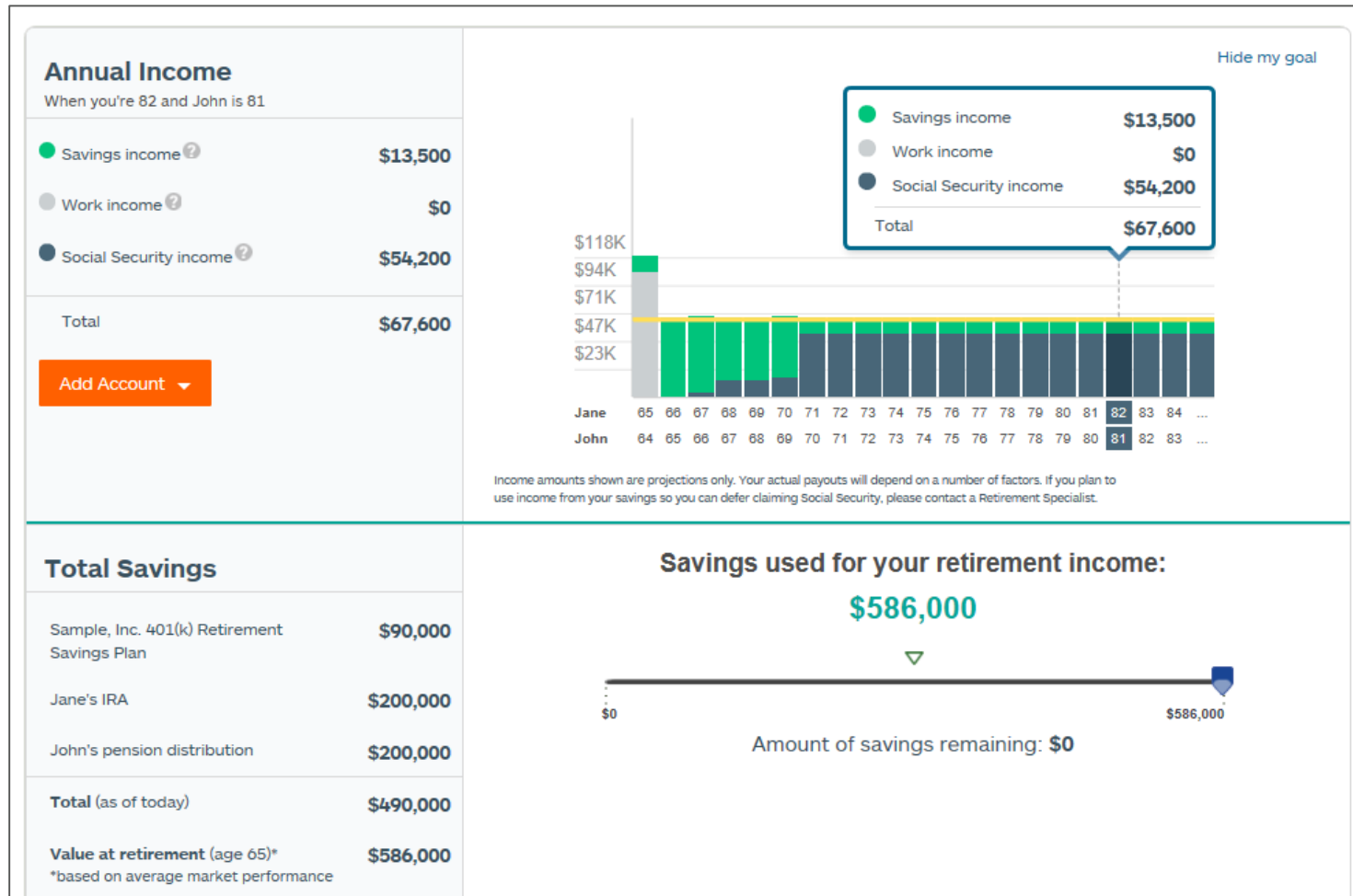
Show Proposed Strategy

Presented for illustration only. Social Security decisions are highly personal and depend on a number of different factors.

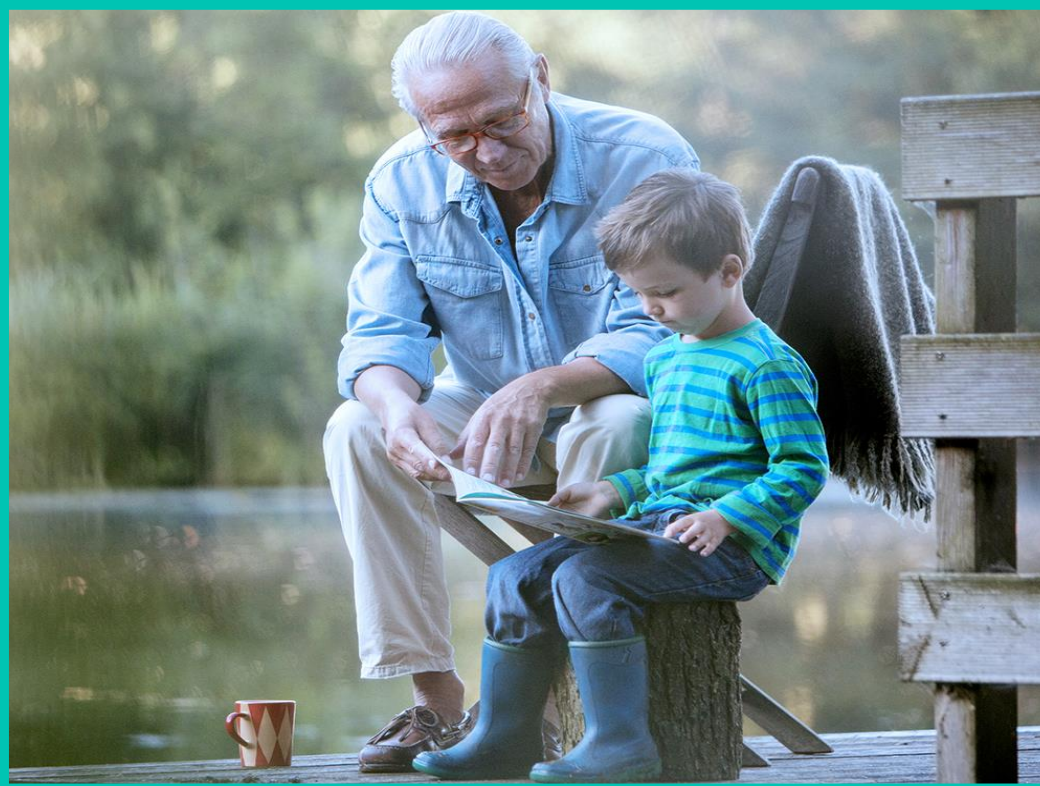
How do Jane & John bridge the gap?



Leverage John's pension & Jane's IRA to put strategy into action



Why aren't near-retirees pursuing these kinds of strategies today?



Obstacles

- Human behavior: People don't want to touch the 401(k)
- Many “solutions” are just tools/education—don't drive action
- Lack of access to financial help due to asset minimums
- High fees: Retail advisors: 0.85 – 2.00%¹

¹ Barron's, "Overpaying for Financial Advice," 2015.

Key considerations for plan sponsors

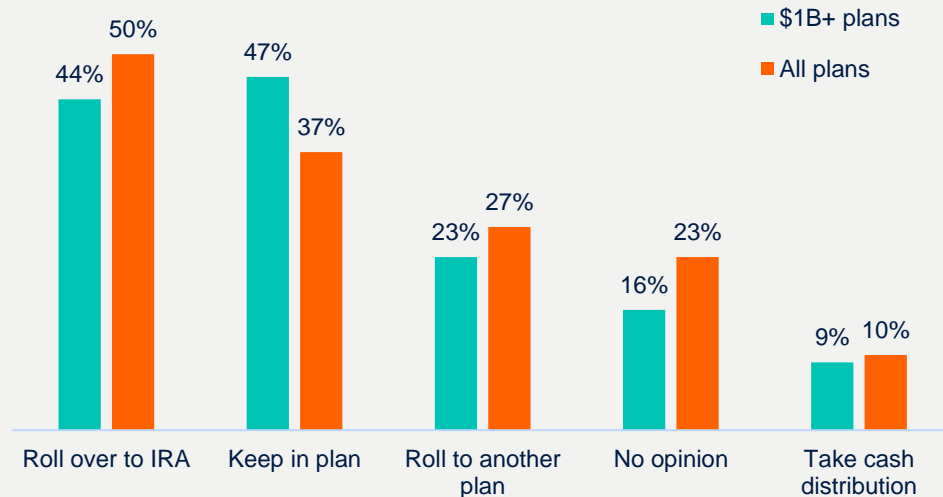
Developing a strategy

1. Develop a philosophy; do you want to retain DC assets? Consider your workforce management objectives
2. If so, offer advice and holistic planning as attractive features
3. Support partial distributions; allow roll-ins.
4. Communicate the features of your plan and benefits of staying to near retirees.
5. Get a baseline: assess your participants' retirement readiness
6. Define retirement & broader workforce management objectives
7. Monitor success

Key question

Do you want to retain assets and offer in plan solutions?

Plan Sponsors' Preference for Retired/Separated Participants¹



1. Cerulli Associates, U.S. Retirement Markets 2016: Preparing for a New World Post-Conflict of Interest Rule, 2016.