

# A PENSION SPONSOR'S READINESS GUIDE TO PLAN TERMINATION

## Part 4 of 5

As we continue through our series of articles, our handy readiness checklist (found in the right column) will allow readers to easily review what was covered in previous articles and what is coming up in future articles.

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## Review the Data

Depending on the circumstances, the amount of time for data collection can be minimal or could require a number of months to conduct. Either way, sponsors need to produce all historical data to calculate the benefits payable to each participant, whether currently or formerly employed. During the plan termination, all historical data used in the calculation of benefits payable to all participants is required to be included in various notices. That data may not be readily available for retirees, for vested terminated employees who left employment many years ago, or for benefits that have been frozen for a long period of time. So, collecting data and resolving all issues can be a significant undertaking during the plan termination process. Review and address data issues early in the planning process. The following diagram can help to assess the condition of participant data. If the answer is yes, move on to the next question. If the answer is no, review the suggested next steps.

## Readiness Checklist

### Part 1

-  **START PLANNING NOW**
-  **DESIGNATE THE PROJECT TEAM**

### Part 2

-  **CONSIDER FINAL CHANGES AND DESIGN THE PROSPECTIVE RETIREMENT PROGRAM**

### Part 3

-  **BE INFORMED ABOUT THE FINANCIAL IMPACT**
-  **DETERMINE THE INVESTMENT STRATEGY**

### Part 4

-  **REVIEW THE DATA**

### Part 5

**PREPARE TO COMMUNICATE**

*In all parts of this series, our focus is on standard terminations, and does not cover the rationale and steps for freezing a plan, distress or involuntary terminations.*

# Data Readiness Evaluation

**START**

Are accrued benefits accurate and final?

**Yes**

**No**

If not, accurate accrued benefits should be calculated before starting the formal termination.

Is the underlying participant data available for all participants?  
(This includes salary history, service, etc.)

**No**

Has a review of all Qualified Domestic Relations Orders (QDROs) been conducted?

**Yes**

If not, can it be obtained? The Pension Benefit Guaranty Corporation (PBGC) understands some old data (prior to mergers for example) might not be available, but it's best to document that an attempt has been made to obtain this information to avoid a post distribution audit problem.

Usually the IRS requires that participants who have not had a break in service become fully vested, depending upon the plan's language. A significant reduction in active participants within the last five years can trigger vesting, based on facts and circumstances.

**Yes**

**No**

Are addresses up to date for all participants?

The review needs to occur to ensure all benefits are properly allocated.

**No**

**Yes**

Use a locator service to obtain addresses for missing participants and alternate payees due to any QDROs. Annuities can be purchased for missing participants, but a bona fide effort to locate missing participants must be made and documented before the plan termination begins.

**FINISH**

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## Learn More

Look for our next article in the series which addresses preparing to communicate the termination. You may also find more information at [www.findley.com](http://www.findley.com) and download our [white paper](#) (covering all parts of the readiness guide to plan termination).

## Authors



**R. BLAINE BRICKHOUSE, FSA, EA**  
**MANAGING CONSULTANT**

Blaine has served a wide variety of clients in various industries, and has extensive experience consulting on retirement benefit programs and providing actuarial services relating to the design, installation, plan administration, and plan terminations. He has been directly involved with over 300 plan terminations during his career. Blaine is a Fellow of the Society of Actuaries, an Enrolled Actuary, and a Member of the American Academy of Actuaries. Contact Blaine by phone at 336.574.0529 or by email at [blaine.brickhouse@findley.com](mailto:blaine.brickhouse@findley.com).



**COLLEEN LOWMILLER**  
**SENIOR ACTUARIAL CONSULTANT**

Colleen serves in a project management capacity for a wide range of pension and retiree benefit matters, including plan termination. Assisting in decisions by breaking down complex topics is her motivation to write. She believes that effective design, delivery, and communication of benefit programs helps organizations further their objectives, leads to efficient use of resources, and in this way the human resource function can play a strategic role in any organization. Contact Colleen by phone at 216.875.1913 or by email at [colleen.lowmiller@findley.com](mailto:colleen.lowmiller@findley.com).

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