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Mapping Your Route to Pension Plan Termination Readiness

By Colleen Lowmiller

Trying to nail down the financial aspect of being ready to terminate a pension plan is like trying to hit a moving target. And, unfortunately, it is not the only consideration to determine if your pension plan is ready to terminate. A qualified plan termination is a multi-step, government-regulated process. It involves multiple parties, requires accurate participant data and benefit information, and includes managing the resources and messaging for several required communications with plan participants. It also requires leadership involvement and effective change management to determine a successful implementation strategy. Assessing the status of all these aspects will lead to the successful execution of a termination strategy that is predictable and efficient.

Terminating a plan is not something most organizations do more than once. So it is unlikely that you have a prior project plan saved on your company network. Typical project management approaches will require months to coordinate all the people involved and all the decisions that need to be made.

Using Findley's approach, as an alternative to typical project planning, can dramatically accelerate the process.

PREPARING FOR A PENSION PLAN TERMINATION?

Engage the experts at Findley to help chart your course. Using our plan termination readiness process—with tools to guide the way—Findley will be your partner on this complex journey.



Determine Your Destination:

Gather Background Data and Assess Current Status

The first phase of your process should focus on developing some financial projection analyses and assessing the current status of the plan. This will give stakeholders a baseline understanding of your time horizon, the biggest areas you will need to focus on to get ready, and the capacity of your team to take on tasks related to the termination.

A fully funded plan, measured on a termination basis, is a moving target with several factors that influence the funded level over time (asset returns, cash contributions, interest rates, etc.). Actuarial analytics, projections, and interactive scenarios, that can be modeled with a tool like Findley's PlanTerm™ Financial Modeler, show how possible future economic conditions could affect your plan and will provide critical data for stakeholders to understand which variables have the most impact, and how they all interact.

Outside of the financial aspect, a review of the plan document provisions and compliance and an assessment of historical data will uncover any additional work needed.

Plan Your Itinerary:

Define Your Objectives by Leveraging a Collaborative Session

Defining your multi-year strategy requires key leadership engagement and effective change management. C-suite leaders understand the importance of this preparation but are often challenged to find the time required for the typical strategic planning approach. To overcome this, a compressed planning session, like Findley's Rapid Map™ session, can be used to form the basis of the strategic plan and build consensus around the priorities and action items.

A trained facilitator addresses important issues connected to the plan termination process in a systematic and focused manner. The Rapid Map™ approach is a proven technique used to:

- **Reach decisions on strategic objectives in a compressed timeframe.** In the course of one afternoon, the process can be used to develop and prioritize objectives related to the plan's readiness to terminate.
- **Build consensus among the many stakeholders.** Internally, this group of stakeholders is likely to include key members of your executive, finance, and HR teams. Externally, it also may involve your investment advisors, annuity consultants, actuaries, third party benefit administrators, and ERISA legal counsel.
- **Outline key communications priorities.** There are many required communications that must be sent over the course of the plan termination. It is important to discuss a communication strategy that includes the timing, target audiences, key messages to be delivered, who will deliver those messages, and the communication channels you will use.

The trained facilitator will lead a prioritizing activity to define and map out the top goals and objectives that become part of your strategic plan. Action steps are then refined in the last phase.

Start Your Trip:

Create, Implement, and Monitor Your Multi-Year Strategic Plan

In this final phase, project leaders manage the multi-year milestones and implement the change management strategy developed in the planning session. Once the strategic plan is set, a detailed change management project plan defines each year's implementation steps and timing. Monitoring actual vs. forecast experience begins immediately and continues throughout the course of the multi-year strategic plan. The interactive forecast modeling tool established in the first phase becomes a key tool for ongoing monitoring of financial readiness to terminate, and will also indicate if economic conditions are causing time horizon changes.

While waiting for the plan to be financially ready to terminate, use the time to tackle other objectives identified during the planning session. This might include research into historical data sources, finalization of any benefits that are not already certified, and locating lost participants. You may also need to engage an annuity consultant or identify a partner to outsource some or all of the administrative functions to handle the expected increase in volume.

Plan termination communications can also be tackled during this time. Effective communications will make sure participants are well-informed about their decisions while helping to anticipate and alleviate concerns. Be sure to leverage the opportunity to tailor the messaging and layout of the required notices to be consistent with your company or benefit program branding.

In Perspective

Once the plan termination has begun, the steps in the process are defined by several governmental agencies, and each step has specific timing requirements that make all of the steps interrelated. So, once you start, you need to be ready to progress through the steps at a regular pace.

To make the plan termination process run predictably, smoothly, and most efficiently, the best approach is to assess your readiness well ahead of time and have a strategic plan and process in place.

Questions? For additional information about developing or enhancing your strategic plan, contact the Findley consultant you normally work with, or Colleen Lowmiller at Colleen.Lowmiller@findley.com, 216.875.1913.