



# ATTENTION!

## Watch Your Retirement Plan!

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The volatility of today's financial market has created ongoing challenges for defined benefit plans. Low interest rates have led to an increase in underfunded plans and annual financial accounting cost implications are becoming more difficult to manage. Furthermore, the enactment of the Pension Protection Act in 2008 sparked a number of negative consequences that impacted private pension plan funding and accounting requirements. These immediate cost concerns are stealing the focus of management and financial analysts, causing some legal compliance and administrative issues to go overlooked. Consequently, employers are failing to pay adequate attention to strategic decisions regarding their benefit plan, which ultimately impacts their ability to attract and retain a better workforce with a well-planned retirement.

In order to effectively manage defined benefit plans, employers must administer and update plan documents in a timely manner according to the plan's applicable plan restatement cycle and amendment periods and monitor various notice requirements. Below is a brief summary of several required notices employers should provide to employees and to the Pension Benefit Guarantee Corporation (PBGC) for underfunded pension plans to help employers successfully administer their plans.

### Employee Notices

- *Late quarterly contributions* – Such notices must be sent to participants if required contributions are made more than 60 days past their due dates.
- *Restrictions on benefit distributions* – Plans that are less than 80% or 60% funded are required to provide notices to participants within 30 days after the plan has become subject to the restrictions, if applicable.
- *Annual funding notice* – Participants must receive an annual funding notice within 120 days following the end of each plan year, regardless of the funded percentage.
- *Funding relief notice* – Employers who elected available funding relief for the 2010 or 2011 plan years must provide notice of such election within 120 days following the conclusion of the plan year.

### PBGC Notices (for plans subject to PBGC premiums)

The PBGC is an independent government agency that was created to encourage the maintenance of defined benefit plans, provide

timely pension benefit payments and secure lower pension insurance premiums. The following list includes notices that the PBGC must receive:

- *PBGC Form 10* – The PBGC must receive this notice if quarterly contributions are made later than 30 days past their due dates.
- *PBGC Form 200* – This notice must be sent to the PBGC if missed or late contributions total more than \$1 million. It is due within 10 days following the accumulation of \$1 million.
- *PBGC Form 4010* – If the plan's funded percentage is less than 80% and the plan is underfunded by over \$15 million, the PBGC must receive this notice. It is due within 105 days following the plan's information year.
- *PBGC Notice of Funding Relief* – Employers who elected available funding relief for the 2010 or 2011 plan years must provide notice of such election to the PBGC within 30 days after their election for relief.

### Strategies to Administer Notices

It is recommended that plan sponsors schedule, at minimum, annual meetings with their plan administrator or actuary to discuss the applicability of the aforementioned notices (as well as any others) for a given year. If necessary, your plan administrator or actuary should be directed to assist in preparation and distribution. Some notices may be issued at the same time and can possibly be delivered electronically. Many of the aforementioned notices do not apply if contributions are made in a timely manner and the pension plan's funded percentage is kept above 80% (as of the plan's valuation date). If a plan becomes less than 80% funded, we recommend that you adopt a funding policy to increase the funded percentage.

### Don't Lose Focus

It is important to pay attention to the various compliance requirements regarding your defined benefit plan. These notices exist to encourage a successful and well-managed plan that will provide long-term benefits for your employees. SilverStone Group's Retirement Department is available for more in-depth information regarding the rules governing the details of notice requirements.

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