

DB digest

Best Practices for Pension Administration

UPCOMING KEY DATES

4/1/14

Deadline to make the first RMD to terminated vested participants who attained age 70-1/2 in 2013 and to participants older than 70-1/2 who retired in 2013.

4/30/14

Provide the 2013 annual funding notice to participants, beneficiaries, labor organizations representing participants and beneficiaries, and PBGC, if the plan has more than 100 participants.

4/30/14

For plans that paid an estimated variable-rate premium to PBGC for 2013 by 10/15/13 and had more than 100 participants, file the final 2013 PBGC Comprehensive Premium Filing and pay reconciled amounts. For plans with fewer than 100 participants, pay the 2013 flat-rate and variable-rate premiums to PBGC.

To download a PDF of the DB calendar, please go to:

<http://tinyurl.com/m54kstg>

DOL, your silence is deafening

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It's a good thing we're not sitting by the phone waiting for the Department of Labor (DOL) to call, because we could be waiting for a very, very long time.

Defined benefit (DB) plan sponsors are required to provide benefit statements at least every three years, but the DOL has not published the guidance it promised in August 2007. Instead, on August 1, 2007, it issued the following statement:

The Pension Protection Act ("PPA") imposed many new disclosure requirements, including expanded benefit statements for defined contribution and defined benefit plans. Many plan sponsors have been expecting model benefit statements by August 18, 2007, the deadline set by the PPA. Unfortunately, however, the Department of Labor has informally announced that it will not meet that deadline. The new disclosure requirements apply to plan years beginning on and after January 1, 2007. Thus, until further guidance is issued, plan administrators will have to continue to operate in good faith compliance with the requirements.

As it stands today, there's no evidence that a single keystroke has been made to start the ball rolling. This delay has left plan sponsors adrift in what they hope is a safe harbor. However, in the absence of guidance, plan sponsors are going through the motions year after year, but are likely spending more time and money producing DB statements in order to play it safe.

Isn't there any guidance?

DOL Field Assistance Bulletin 2006-03 provides interim guidelines and was intended to bridge the gap from when it was published in December 2006 until final regulations would be released in August 2007. The Field Assistance Bulletin, though relevant, is outdated and plan sponsors have fallen into the groove of doing what they've always done, statement-wise, until someone tells them to do otherwise. And, while it's not a significant cost to the plan, it is an inconvenience that plan sponsors have had to operate in good faith for the past seven years following rules that are clearly not a priority to the DOL.

What if your plan is frozen?

Many traditional DB plans have been frozen, which means that the benefit amounts never change and plan sponsors essentially send the exact same statement out over and over again. If this seems like overkill, that's because it is. The DOL guidance would likely address this situation (and hopefully reduce the number of repeated identical statements that plan sponsors are sending), but until the guidance comes out, plan sponsors pay the cost of printing, mailing, and searching for lost participants.

Electronic statements

One way to cut down on printing and postage costs is to do an electronic mailing. This is discussed under Field Assistance Bulletin 2006-03, but it requires that you have email addresses for your participants. Furthermore, little is known about what documentation should be kept as proof that the electronic statements were delivered appropriately, whereas with paper statements, returned mail can be kept or forwarded. Some sponsors allow participants to choose electronic statements on their website, which can reduce the number of paper statements that are mailed. However, unless 100% of the participants choose to receive their statements via email, there will still be the administrative burden of preparing some paper statements.

If the plan sponsor has a website that allows participants to view estimates of their pension benefits, there may be no need to send statements at all. If the participants are told once a year how they can access

the website and are notified of their right to request a paper statement, then the statement requirement is satisfied (unless the final regulations we've been waiting for say otherwise). Some plan sponsors have added a paragraph to their Annual Funding Notice with information about accessing their plan's website. In addition, if the plan's website contains all the necessary statement information, then a requested paper statement could simply be a printout from the website.

What should we do?

Be sure your statements contain the following required items:

- Accrued benefit
- Vested benefit, or the date the participant is expected to become vested
- A description of permitted disparity or a floor-offset arrangement if they are used in your plan

Make sure your statement is understandable to your average participant. You should check with your legal counsel to ensure that you're in good faith compliance with the interim guidance regarding your delivery method and frequency.

If you find you need to make changes, a Milliman consultant can help you become compliant.

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CAPTION CONTEST

Create a caption for this cartoon and send it to david.benbow@milliman.com. The best caption will receive a prize and will be published on our website.

