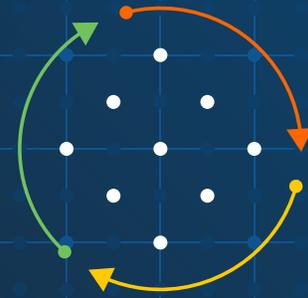


CASE STUDY

Reduce your pension administration burden



The situation

A company sponsored a straightforward defined benefit (DB) cash balance plan. They had a single in-house pension administrator who handled benefit calculation requests using a spreadsheet to calculate benefit amounts, supplemented by a variety of documents such as election forms. If employees or retirees had questions, they would make appointments to visit the administrator in person. The administrator was the sole point of contact with the trustee with respect to initiating or stopping benefits and implementing changes of address, tax withholding, direct deposit, and so forth.

For a variety of financial reasons, the company decided to terminate the plan. They were anxious to insulate the plan participants from undue stress and uncertainty, so they opted to pursue an aggressive, six-month timetable for the plan termination process. The company's Milliman consultant explained that the in-house pension administrator would be overwhelmed by the volume and complexity of tasks associated with the plan termination process.

The solution

Milliman was able to provide a comprehensive suite of administrative services that were critical to keeping the plan termination process on schedule and providing the plan participants with the support and information they needed:

- **Communications.** Milliman's experts worked with the plan sponsor's corporate communications department to craft an announcement letter, articles for the employee newsletter, a short video for the company intranet, reminder postcards, and a FAQ document. All of the materials were created in both English and Spanish to serve the employer's diverse employee group.
- **Calculation of benefits.** Milliman's administration system was coded with all of the details of the plan's benefit provisions so that the benefits to which each participant was entitled could be precisely determined. This included early and late retirement adjustments, lump sum amounts, optional forms of monthly annuities, and modifications to reflect benefits that were payable to alternate payees per Qualified Domestic Relations Orders.
- **Preparation of participant notices.** Each participant received a comprehensive package of required statutory notices, plus detailed information about their specific benefits and an election kit to complete and return. Because different participants were eligible for different benefits, nine different sets of notices were created for different groups of participants. Milliman's administration team was able to populate all of the notices and have them professionally printed and mailed.
- **Q&A sessions.** Milliman consultants staffed a total of 24 in-person and web-based sessions that provided plan participants with information about the plan termination process and the elections they would be asked to make and gave them an opportunity to have their questions answered by knowledgeable professionals.
- **Call center and website support.** Throughout the plan termination process, participants were able to access information and ask questions via Milliman's call center and the participant website. The website made it easy for participants to download fresh sets of election forms and then upload the forms once they had been completed.
- **Review of completed election forms.** Milliman's administration team scanned and stored every incoming election form and supporting documentation. They immediately reviewed each form to ensure that it had been filled out correctly by the participant and followed up on incomplete or incorrect forms. The team tracked the status of each election form and all communication with participants, which allowed the plan sponsor to stay up to date on the process. When the deadline for submitting election forms drew near, the team proactively reached out to participants with incomplete forms to facilitate getting valid election forms in the door.
- **Compilation of payout instructions.** Based on the completed election forms, the Milliman team provided detailed instructions to the trustee with respect to rollovers and direct cash payments. The Milliman team also produced a census file for the annuity placement team to use in soliciting bids from insurance companies. This information was also used by the Milliman actuarial team to complete the required government filings once all of the benefits had been distributed.

The outcome

By leveraging Milliman's robust plan administration capabilities, the plan sponsor was able to complete a complex project involving thousands of plan participants and hundreds of millions of dollars in benefits within the company's desired timeline. By outsourcing this process, the plan sponsor was able to focus on other parts of the plan termination with added peace of mind that the participants were in expert hands throughout the process. The plan sponsor is in the process of outsourcing the administration of a second defined benefit plan to Milliman, so that the administrative infrastructure is in place well in advance of its anticipated termination date.