Participant Notices for Defined Benefit Plans

July 30th, 2015
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Agenda

- Overview of Participant Notices
- Events/Benefit Packages
- Annual Notices
- Conditional Notices
- Plan Termination Notices
Overview of Participant Notices
Overview of Participant Notices

Notices:

- Inform participants and are an opportunity to engage them in retirement planning.
- Are a useful way to avoid unhappy participants and compliance issues.
- Develop over time to include new information.
- Help remind Plan Administrators and Service Providers of their administrative responsibilities.
- Can be supported and monitored by USI Consulting Group.
Defined Benefit Plan

Administration/Compliance Checklist

The plan’s data should be checked annually for the following:

- Are there any participants approaching Normal Retirement Age?
- Are there any participants past Normal Retirement Age?
- Are there any participants approaching Minimum Required Distribution Date?
- Are there any participants past Minimum Required Distribution Date?
- Have any participants passed away? If so, have beneficiaries been located?
- Do any terminated participants have a lump sum value under $1,000?
- Do any terminated participants have a lump sum greater than $1,000 but below $5,000?
- Have any employees terminated employment during the past Plan year?
- Do any participants qualify as a 5% owner?
- Is the Plan’s Top 25 paid group listing up-to-date?
- Are any participants unable to be located?
- Are there any benefit restrictions in effect?

The following communications should be sent annually:

- Benefit statements for active participants
- Annual Funding Notice
- Notice of Deferred Vested Benefits for newly terminated employees
- Benefit packages for required commencements
- Suspension of Benefits Notice, if applicable
Events/ Benefit Packages
Events/Benefit Packages

- Events Requiring Benefit Packages/Notices
  - Termination
  - Retirement (Early, Normal or Late)
  - Death Prior to Retirement
  - Other Significant Events

- How USICG can help
Events/Benefit Packages

- **Termination**
  - When are benefits payable?
  - Accrued benefit needs to be finalized
  - Spousal/beneficiary information
  - Keep in touch with participant/beneficiary
  - Right-to-defer notice
Events/Benefit Packages

- **Retirement**
  - Planning Discussion
    - Participant can contact Plan Administrator or vice versa
  
- **Application Process**
  - Allow sufficient time for entire process
  - Administrator prepares package
  - Participant reviews and makes elections
  - Administrator facilitates setup of payment
Events/Benefit Packages

- **Retirement (continued)**
  - Election Package should include:
    - Personal data used for the calculation
    - Benefit amount and payment options
    - Spousal consent form and waiver form
    - Relative value disclosure
    - Tax and Rollover Forms
    - Direct deposit form
Events/Benefit Packages

- **Death Prior to Retirement**
  - Election forms prepared for survivor
  - Annuity and/or lump sum options

- **Other Significant Events**
  - Terminated participants approaching age 65
  - Participants working past age 65
  - Becoming disabled
Events/Benefit Packages

- **How USI CG Can Help**
  - Prepare benefit calculations and packages
  - Draft participant communications
  - Annual reminder of upcoming significant events
  - Perform address/death searches
Annual Notices
Annual Notices

- Summary Annual Report (SAR)
- Annual Funding Notice (AFN)
- Employee Benefit Statements
- How USICG can help
Annual Notices

- **Summary Annual Report (SAR)**
  - Generally required for small DB Plans
  - Summarizes the information on Form 5500
  - Provided to participants/beneficiaries
  - Timing requirements apply
  - Contents:
    - Basic financial statement
    - Minimum funding standards
    - Right to request additional information
Annual Notices

- **Annual Funding Notice (AFN)**
  - AFN replaced the SAR for most DB Plans
  - Provided to participants/beneficiaries
  - Timing requirements apply

- **Contents:**
  - Asset and liability information
  - Funding and Investment Policies
  - Participant counts
  - DB Plan termination rules
  - Benefits guaranteed by the PBGC
  - Effect of recent Funding relief
Annual Notices

- **Employee Benefit Statements**
  - Provides benefit update to active participants
  - Timing requirements apply
  - Assists employee with retirement planning

- **Contents:**
  - Personal data
  - Vested accrued benefit
  - Normal Retirement Date
  - Form of benefit
Annual Notices

- How USI CG Can Help
  - Develop annual project calendars
  - Send periodic compliance reminders
  - Craft employee benefit statements
  - Assist with mailing process
Conditional Notices

- Summary Plan Description (SPD)
- Summary of Material Modifications (SMM)
- Form 8955 – SSA Notice of Vested Entitlement
- Qualified Domestic Relation Order (QDRO)
- Disclosure of Failed Quarterly/Min. Req. Contributions
- ERISA Section 204(h) Notice
- Benefit Restriction Notice - IRC Section 101(j)
- Suspension of Benefits Notice (SOBN)
- How USICG can help
Conditional Notices

- **Summary Plan Description (SPD)**
  - Provided to participants/beneficiaries entering the Plan
  - Informs participants about the Plan
  - Timing requirements apply
  - Describes Plan Provisions in a way participants can easily understand
Conditional Notices

- **Summary Material Modifications (SMM)**
  - Provided to participants/beneficiaries
  - Describes material modifications to the plan
  - Timing requirements apply
  - Distribution of the updated SPD satisfies this requirement
Conditional Notices

- **Form 8955 - SSA Notice of Vested Entitlement**
  - Provided to a vested participant at termination
  - Describes the benefits and the how to begin receiving them
  - Contents:
    - Description of the benefits that are available
    - Explanation of when benefits may be or will be paid
    - When and how to apply for benefits
    - Qualified Survivor Benefits
    - Eligible distribution options
Conditional Notices

- **Qualified Domestic Relation Order (QDRO)**
  - Ordered by the court upon divorce or other domestic matter
  - Plan Administrator must notify the affected parties of:
    - Procedures for administering benefits
    - Qualification status of Domestic Relations Order
  - A QDRO must contain the following:
    - Name and address of the participant/alternate payee
    - Name of plan to which the order applies
    - Amount of the benefits to be paid to the Alternate Payee
    - Number of payments or time period to which the order applies
    - Information on when payments can commence
Conditional Notices

- Disclosure of Failed Quarterly/ Min. Req. Contributions
  - Sent when Plan Sponsor fails to make a required contribution
  - Provided to participants, beneficiaries and alternate payees
  - Timing requirements apply
  - PBGC notice requirement
    - PBGC allows exceptions under certain circumstances
Conditional Notices

- **ERISA Section 204(h) Notice**
  - Provided to participants/beneficiaries
  - Required when future benefits, rights or features are significantly reduced by plan amendment
  - The ERISA Section 204(h) notice must:
    - State the current plan provisions pertaining to amendment
    - State the new plan provisions pertaining to amendment
    - Describe the magnitude of the reduction/elimination in a way that the participant can understand
  - Timing requirements apply
Conditional Notices

- **Benefit Restriction Notice - IRC Section 101(j)**
  - Notifies participants of benefit restrictions under the plan
  - Provided to participants in the Plan at the date of restriction and affected by the restriction
  - Timing requirements apply
  - Contents:
    - Sufficient detail about restrictions to explain the difference with and without restriction
    - The reason for the restrictions - AFTAP (Adjusted Funding Target Attainment Percentage) level and/or bankruptcy status
    - The AFTAP percentage and whether it is due to certification or presumption
  - Notify participants when restrictions no longer apply
Conditional Notices

- **Suspension of Benefits Notice (SOBN)**
  - Must be provided in month of first suspended payment
  - Without the notification, Plan must provide a benefit equal to the greater of:
    - Accrued benefit at commencement date, or
    - Accrued benefit at NRD actuarially increased to actual commencement date
  - Contents:
    - Reason payments are being suspended
    - General description of the plan provisions relating to the suspension of payments
    - A copy of the specific plan provisions
    - Reference to the applicable Department of Labor (DOL) regulations
    - Description of the appeal process
    - Information about any offsets, if applicable
Conditional Notices

- **How USI CG Can Help**
  - Assist with notice requirements and timing
  - Send periodic compliance reminders
  - Provide sample notices
  - Assist with mailing process
Plan Termination Notices

- ERISA Section 204(h) Notice
- Notice of Intent to Terminate (NOIT)
- Notice to Interested Parties (NTIP)
- Notice of Annuity Information (NOAI)
- Notice of Plan Benefits (NOPB)
- Notice of Benefit Commitment (NOBC)
- How USICG can help
Plan Termination Notices

- **Notice of Intent to Terminate (NOIT)**
  - IRS notice requirement
  - Notice to participants, beneficiaries and alternate payees of proposed termination and provides information of the termination process
  - Must be sent at least 60 days, and no more than 90 days, before the proposed termination date
  - Should contain the following information:
    - Plan Sponsor’s name and employer identification number (EIN)
    - Plan name and plan number
    - Name, address & telephone number of contact person
    - Statement that the Plan Sponsor intends to terminate the Plan
    - Proposed termination date
Plan Termination Notices

- **Notice to Interested Parties (NTIP)**
  - PBGC notice requirement (*if an IRS determination letter is requested*)
  - Notice given to all interested parties affected by the Plan Termination
  - The Notice documents that a Plan Sponsor submitted a request to the IRS for a determination of the Plan’s tax qualification status
  - Must be given at least 10 days, and no more than 24 days, prior to the day the application for a determination letter is made
  - A request for an IRS determination letter (optional) is most commonly submitted on or after the plan termination date
Plan Termination Notices

- **Notice of Annuity Information (NOAI)**
  - PBGC notice requirement
  - Notice given to an affected party entitled to plan benefits that will be distributed in the form of an immediate annuity or deferred payment
  - Must include the identity of potential insurers who may be providing annuity contract
  - Must be given no later than 45 days before payments are to begin
Plan Termination Notices

- **Notice of Plan Benefits (NOPB)**
  - PBGC notice requirement
  - Notice to participants, beneficiaries and alternate payees, specifying the amount of the benefit and payment form under which the amount is determined for each participant as of normal retirement date and plan termination date
  - Should contain the following information:
    - Participant name and employment date
    - Length of service
    - Age & Compensation of participant
    - Assumptions & Interest Rates used to calculate payment forms
    - Benefit payable at NRD and plan termination date
    - Qualified Joint & Survivor Annuity (QJSA)
  - Must be sent no later than the time Form 500 is filed with the PBGC
Plan Termination Notices

- **Notice of Benefit Commitment (NOBC)**
  - IRS notice requirement
  - The contents of the NOBC and applicable participant group is the same as the Notice of Plan Benefits
  - Must be sent as soon as feasible after the date which the Notice of Intent to Terminate is provided
Plan Termination Notices

How USI CG Can Help

- Create a personalized plan termination timeline
- Describe how notices and processes fit together
- Remind you of notice requirements and timing
- Draft notices and provide sample communications
- Assist with mailing process
Summary

- Various types of participant notices for DB plans
  - Triggered by employment events
  - Required by governmental agencies

- Mandated information and timing requirements apply
  - Annual disclosures
  - Conditional events

- USI Consulting Group can help plan administrators
Q&A

- For more information:
  - Please e-mail information@usicg.com
  - Call your USI Consulting Group representative

- Speaker notes used during the presentation are not included in the handout.
Thank You

Please join us for our next Benefits in Focus webcast in August:

Fiduciary Responsibility