

Recordkeeping in the Electronic Age

# Data Requirements for DB Pension Plan Terminations

**Advisory Council on Employee Welfare and Pension Benefits Plans**

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# Current State of Data in DB Pension Plans



- Except for plans that have been frozen for quite a while, DB plan sponsors generally have transitioned from paper to electronic records
- For participants who have already terminated employment, data used to calculate their benefits frequently have not been transitioned to electronic records
- Plan sponsors are frequently not aware of the amount of electronic data needed to properly terminate their DB plans
  - Requires unexpected amount of work at plan termination
  - Frequently results in an inability to provide all data to the participants as required by the PBGC
- For participants who have been retired for several years, beneficiary data, referenced upon the death of a participant, frequently resides in paper records

# Plan Termination Data Requirements



PBGC Regulations require a Notice of Plan Benefits (“NOPB”) that shows the **personal data used to calculate benefits** and provide the participant an opportunity to question accuracy of such data.

Accordingly, plan sponsors must maintain the following data for pension plan participants (not just a final accrued benefit):

- Dates of service
- Hours of service for each year to the extent that hours of service were used by plan to determine years of service
- Total years of service used for benefit accrual purposes
- Total years of service for vesting/early retirement purposes
- Compensation used to calculate benefit
- Participant date name, address, DOB, SSN and gender
- For anyone in pay status, the form, amount and , as benefit commencement date, as well as the name, DOB, SSN and gender of beneficiary.
- If participant is deceased, the name, address, DOB, SSN and gender of deferred beneficiary
- All Qualified Domestic Relations Orders

# Common Data Deficiencies



- Many sponsors have the accrued benefits for participants who terminated earlier but **not** the underlying service and compensation data used to calculate those benefits and determine early retirement eligibility
  - Especially common when plan has changed actuaries/TPAs or has been involved in mergers/acquisitions
  - Hours and dates of service for re-hired participants and transfers is frequently incomplete
- Many sponsors not retaining the compensation and service used to calculate grandfathered benefits and all components of “greater of” calculations
- QDRO documentation is frequently not available
- Information regarding the beneficiaries of retirees is frequently not complete
- Information regarding pre-retirement death benefit beneficiaries is frequently incomplete
- Many participants who should have already been in pay status are frequently identified

# Recommendation



- DOL should help educate the plan sponsors on the data needed for DB plan terminations
  - Facilitates plan termination process for plan sponsor and avoids issues with participants and regulatory bodies
  - Ensures that participants will get the information that they have a right to during the plan termination process to confirm that they are receiving correct benefits
- Education could include a reminder that plan sponsors need to retain such records after the DB plan termination in case questions arise after the plan termination
  - Potential questions from participants or the insurer
  - PBGC audit
  - “Woodwork” participants

