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Norman is an EA, a CPC, an FSPA and a MAAA. He is a currently a director of ASPPA. He is a regular speaker at actuarial conferences on plan design and other actuarial issues, and has published many articles on various pension topics. Norman is President and Chief Actuary of Summit Benefit & Actuarial Services, Inc. Most importantly he is a lifelong true-blue Chelsea fan.

# Darren Holsey, ERPA, APA, QPA, QKA, Premier Retirement Plan Services



Darren Holsey is an owner and senior consultant at Premier RPS in Wilsonville, Oregon. He is an Enrolled Retirement Plan Agent, is a member of NIPA holding an APA designation and a member of ASPPA holding a QPA and QKA. Darren served on the on the NIPA education/examination committee for nearly a decade. He currently is on the NIPA Board of Directors and has been on the NAFE planning committee for many years as both member and chair. If you're ever up in Oregon, hit him up to take you wakeboarding!

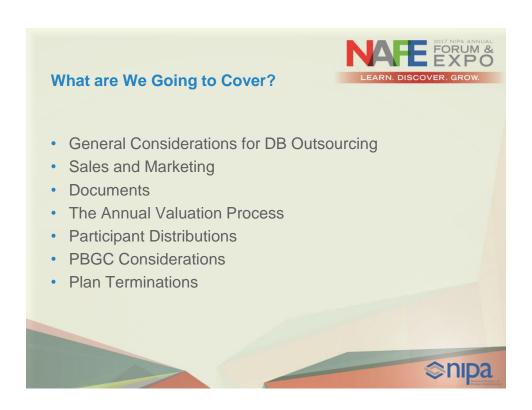


### **DB Plans and Your Practice**



- Why bother with DB plans in your practice?
  - Cement existing client relationships
  - Referral sources appreciate TPAs with more services
  - · Generally, less fee pressure than DC plans
  - Fewer transactions / touches than DC plans
- Barriers to entry
  - Hiring / Training staff. Actuarial staff can be expensive
  - Valuation / plan document software costs
  - Tracking DB plan requirements that don't apply to DC plans
  - Communicating about DB plans with clients
- Outsourcing actuarial work eliminates / minimizes these barriers





# General Considerations for DB Outsourcing KEYS TO SUCCESSFUL OUTSOURCING: Choose your administration model: TPA runs vals and actuary reviews. TPA preps SB for actuary to sign Actuary runs the vals for the TPA, does the actuarial work on request (val, testing, SB, AFTAP, AFN, PBGC filing) and TPA tracks all deadlines; collects data; has client contact, and prepares 5500 Same as previous, but actuary also tracks deadlines and follows up if work is not requested

# **General Considerations for DB Outsourcing**



- Same as previous, but actuary essentially handles everything through the 5500 with the TPA collecting data and communicating with the client
- · Some other variation you agree on
- · Obviously pricing is different for each model
- Make sure you both have a common understanding of what model you want to work under
- Some TPAs work with more than one actuary, so you need to understand each actuary's model because they may not be the same



## **General Considerations for DB Outsourcing**



- · Clearly define the TPA and actuary roles:
  - Is an engagement agreement needed between TPA and actuary?
  - Deliverables: what do they look like and when will you get them?
  - How will TPA use them?
- Clearly define the fees of the TPA and actuary:
  - When does the actuary expect to be paid?
  - Do you pay the actuary when the client pays?
  - Does the timing of actuary's billing coordinate with yours?
  - Are TPA's fees and actuary's fees such that TPA can still make money? Actuary can't charge retail and expect TPA to make money.



# **General Considerations for DB Outsourcing**



- Effective communication between TPA, actuary, and client:
  - DB plans, by nature, can require more planning than DC plans with discretionary employer contributions (e.g., 1000 hour accruals)
  - · Appropriately eliciting client's funding goals
  - · Turnaround expectations between TPA, actuary and client
  - Non-actuary TPA personnel need enough DB knowledge to interact with clients, recognize impact on plan of new information provided by client, and speak some "actuarialese" like the actuary
  - Know when to get actuary involved in interaction with client.



# **General Considerations for DB Outsourcing**



- Other considerations:
  - Training, if appropriate, for your staff actuary should train TPA staff on the process, deliverables etc.
  - Potential coordination of marketing efforts between TPA and actuary
    - · Referral source CPE and other marketing support
    - White papers and one-sheets appropriate for plan sponsors



# **Outsourcing Advantages and Disadvantages**



- Advantages:
  - Hiring / Training staff. Actuarial staff can be expensive
  - Valuation / plan document software costs
  - Tracking DB plan requirements that don't apply to DC plans
  - · Communicating about DB plans with clients

Outsourcing eliminates these above and often provides a lot more expertise for the money spent.

- In some cases firms with their own DB staff and actuaries even outsource some of their work to deal with rushes or where they don't have certain expertise, e.g. larger plan valuations, ASC 715 disclosures or forecasting.
- TPA is exposed if they lose in house DB staff, more depth with outsourcing.

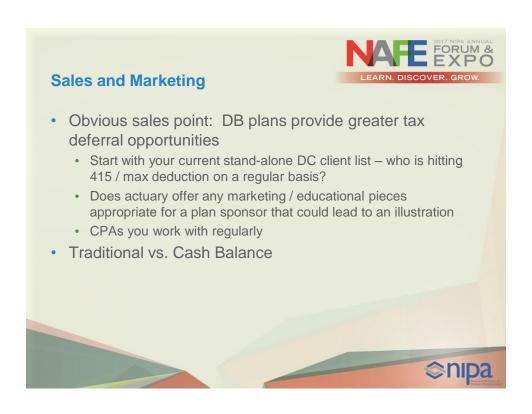


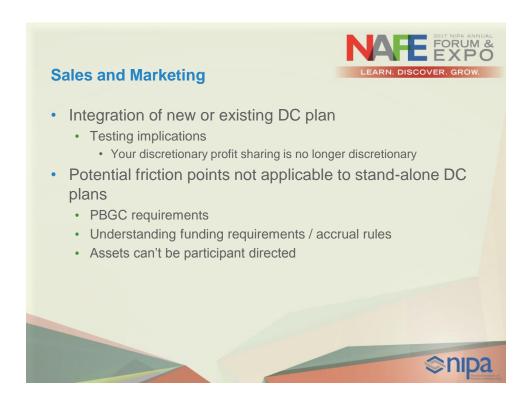
### **Advantages and Disadvantages**

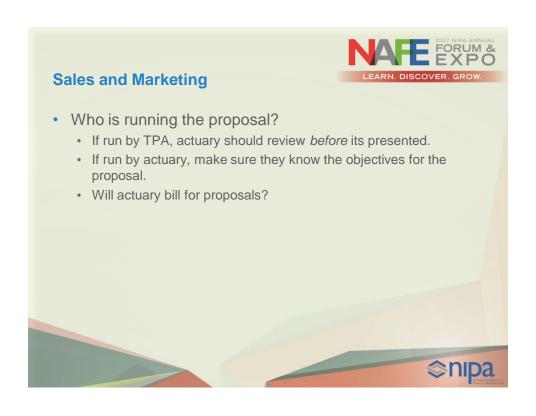


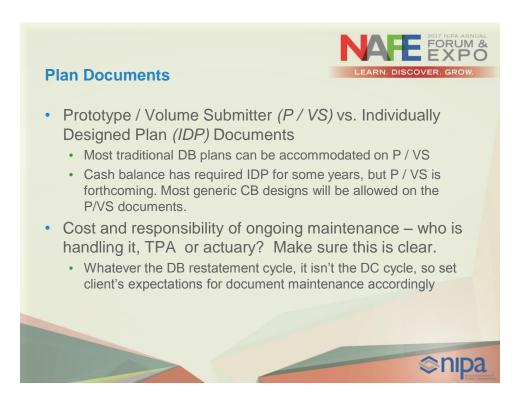
- Disadvantages:
  - TPA loses some control over timing of deliverables
    - TPA loses control over the valuation process where the actuary runs the vals for them.
    - At some number of plans, TPA will sometimes conclude they will save money doing the work in house.













### **Plan Documents**

- If TPA does the document, make sure the actuary is sent draft documents and amendments to review before they are adopted.
- Paired plans may require / warrant certain design features / amendments to DC plans
  - Top heavy provisions: often 5% in DC plan
  - Very broad classes (e.g., each individual in his/her own class) in class-based profit sharing allocation
  - Removal of profit sharing allocation conditions
  - · Limiting safe harbor non-elective contributions to NHC staff
  - Reconsideration of any testing specifications in an existing plan (e.g., top paid group)
  - Utilization of forfeitures (offset, don't allocate)

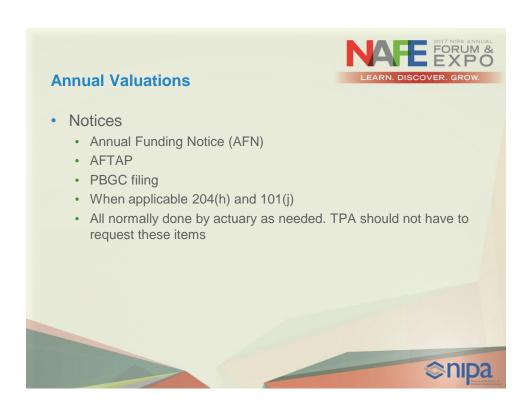


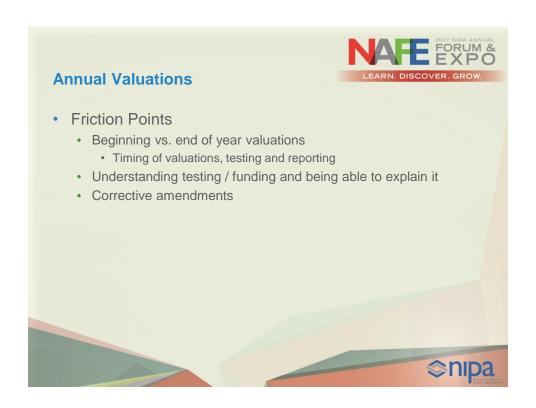
### **Annual Valuations**

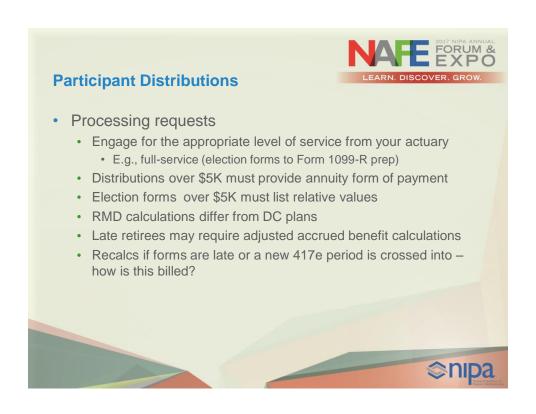


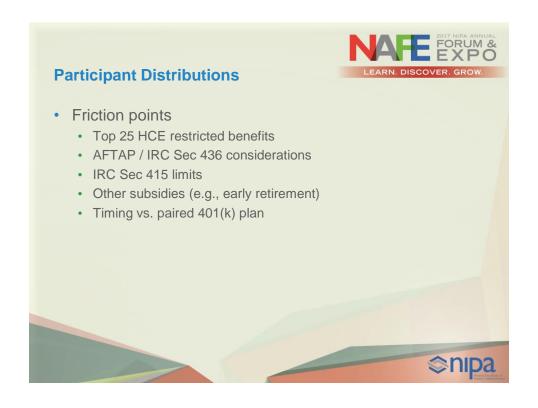
- Data Collection
  - Administrative information
    - Census
    - Assets
    - 5500 information
    - · Consulting with client re funding / other goals
    - · All normally done by TPA
- Coordination of paired plans
  - Preliminary calculations is this part of the actuary's regular fee or extra?
  - · Additional DC funding for testing











# **Pension Benefit Guaranty Corp** (PBGC)



- Generally, what plans are NOT covered (not subject to ERISA Sec 4021)?
  - · Plans covering only Substantial Owners
  - Professional Organizations with < 25 active participants with benefits
  - Governmental, non-electing church plans, Indian tribal government plans
- Any "advantage" to being covered?
  - 31% deduction limit on paired plans no longer applies (But is it worth it)?



# **Pension Benefit Guaranty Corp** (PBGC)



- Annual Comprehensive Premium Filings (see session "The PBGC Process")
  - My PAA (https://egov3.pbgc.gov/mypaa/)
    - Setup
      - Assigning roles
      - Takeover plan considerations (invitations from prior Filing Coordinator)
    - · Ongoing coordination of annual returns
  - Managing client expectation about premiums
- Reportable Events (e.g., missed quarterly contributions, failure to make required contributions)
- Plan termination considerations (see next slides)





### Plan Terminations (in Brief)

- Timing of Participant Notices / Documentation
  - Rules same as DC plan for adoption of termination amendments (by date of termination), providing Notice to Interested Parties (10-21 days prior to filing Form 5310), and ongoing annual filing / notice requirements (e.g., Forms 5500)
  - 204(h) notice for benefit reduction: 15 / 45 days
  - Notice of Intent to Terminate (PBGC): 60-90 days pre-termination
  - Notice of Plan Benefits (PBGC): before Filing Form 500
  - 45-Day Notice of Annuity Information (PBGC)
  - Election to forego benefit by substantial owner or commitment to fully fund (PBGC)
  - Paired plan testing may require termination date be end of year



### Plan Terminations (in Brief)



- General flow of PBGC Filings for Single-Employer Standard Terminations
  - File Form 500 Standard Termination Notice with Single-Employer Plan Termination
    - Includes Schedules EA-S (Certification of Sufficiency), REP-S (Designation of Representative) and sample NOIT and NOPB
  - Do nothing through later of PBGC 60-day review period or issuance of IRS determination letter (if applicable)
  - Remit any outstanding final funding due & distribute all assets within 120 days (recall, HCE restriction effectively requires all NHCs are paid before HCEs)





