

March 25, 2020

Dear Valued Client,

We acknowledge that many of our clients are anticipating temporary COVID-19 related closures, and many others are simply unnerved by the current uncertainty. We understand what a difficult time this is for many of you. We feel invested in your company and its success. We can discuss potential strategies with you, to help plan for the future, such as a potential freeze for your Defined Benefit Plan (“DBP”) or Cash Balance Plan (“CBP”).

What are the benefits of freezing the DBP/CBP?

By freezing your defined benefit or cash balance plan, you minimize the amounts that you MUST put in your plan for 2020 (and future years if need be). Based on your facts and circumstances, including the return on your plan’s assets, this may not eliminate all your funding requirements, but it will serve to reduce the required amount to the extent possible.

What are the risks of freezing the DBP/CBP?

There are few risks to freezing the plan. Again, based on your facts and circumstances, a freeze may result in lower maximum deductible contributions for a short period of time, however the maximum amount that you may ultimately accumulate will not be affected. Additionally, the plan may be unfrozen or reactivated up to 2 and ½ months after the plan year end. For calendar plans this is March 15th, 2021. Freezing the plan now will provide you with the greatest flexibility for future funding.

What is the process to freeze the DBP/CBP?

The process to freeze the plan is to adopt an amendment doing so, as well as providing a notice to your employees alerting them to the freeze. This notice must be provided 15 days before the effective freeze date. The effective freeze date must be before employees work 1,000 hours to avoid benefit accruals for the plan year. This is a time sensitive “solution” so please respond or reach out at your earliest convenience, but no later than the end of April.

What is the cost for Pension Benefits Unlimited to prepare the amendment?

We are in this with you. While changes like this typically cost hundreds of dollars, we know now is not the time for you to have to absorb more expenses. Thus, we will prepare this amendment for you at no fee and will absorb the costs associated with us preparing this amendment.

If you would like to discuss freezing your defined benefit or cash balance plan, please let us know. Thank you for your continued confidence in Pension Benefits Unlimited.