

# NORTHERN RIVERS

NORTHEAST PARENT & CHILD SOCIETY  
PARSONS CHILD & FAMILY CENTER  
UNLIMITED POTENTIAL

**Plan Termination Information**  
for the Participants of  
**The Retirement Plan for**  
**Employees of Parsons Child**  
**and Family Center**

# What is a Plan Termination and why is Northern Rivers Terminating the Plan?

- ▶ Plan Termination occurs when the plan is formally disbanded after **paying out all benefits** and/or **purchasing an annuity contract on behalf of participants** through an insurance company
- ▶ The decision to terminate the plan was made voluntarily by Northern River's Board of Directors and is considered a *Standard Termination* which means that the plan will be fully funded, and all benefits and forms of payment available under that plan will be honored. With recent changes in the market leading to improvement in the Plan's funded status, the Board believes that this is the appropriate time to formally terminate the pension plan
- ▶ Northern Rivers wants to **ensure that all Employees with benefits get their full earned benefit** and eliminate long term financial market/regulatory/interest rate risk to the agency moving forward

# Will I Lose any Money Because of the Termination of the Plan? (NO!)

- ▶ **No participant will receive a benefit that is less than what they have been promised and earned in the Plan**
- ▶ The process to terminate a pension plan is heavily scrutinized by different government agencies, including the IRS, and the Pension Benefit Guarantee Company (PBGC). Northern Rivers has engaged with multiple retirement plan professionals (including actuaries and attorneys) to assist with the termination process and ensure that benefits are calculated accurately and in accordance with the law

# What Do I have to Do?

- ▶ **If you have started your pension payment** in the form of a monthly annuity, you will have **no additional choices or elections**
- ▶ In late Spring, Northern Rivers will purchase an annuity contract on your behalf from a reputable insurer that will take over sending you monthly payments – **there will be no interruption in your monthly payments**
- ▶ In late Spring you will receive additional information from the selected insurer about who to contact if you have questions and changes (such as bank account or change of address)

# What Do I have to Do?

- ▶ **If you have not yet elected to receive your pension, this March**, you will receive benefit election paperwork that illustrates your benefit and provides you with the following choices to make regarding your plan benefit:
  - i. Elect a lump sum distribution that can be rolled over into a qualified plan such as The Northern Rivers 401(k) Plan, or an IRA provider of your choice
  - ii. Have Northern Rivers purchase an annuity contract on your behalf from a reputable insurer that will honor the current provisions of the plan, **giving you the option to elect any form of payment at a future date**
  - iii. Take the entire proceeds as cash distribution (Note that the entire distribution may be subject to taxation including a possible excise tax)

\*\*\* You should plan to consult to your own financial advisor/legal advisor/tax advisor on the best benefit option for yourself as Northern Rivers and/or EPIC cannot provide advice in this regard. You will have approximately 45 days to make an election, starting at the beginning of March. Lump-sum payments are expected to be paid in early May.

# How will Northern Rivers select an insurance company to administer the benefit?

- ▶ In 1995, the Department of Labor (DOL) published Interpretive Bulletin (IB) 95-1, which “provides guidance concerning certain fiduciary standards ... applicable to the selection of an annuity provider for the purpose of benefit distributions from a defined benefit plan, which states that:
  - ▶ Plan fiduciaries must act in the best interest of plan participants in selecting the insurer that can supply the “**safest annuity available.**” DOL 95-1 also requires that plan fiduciaries “**conduct an objective, thorough and analytical search, for the purpose of identifying and selecting providers from which to purchase annuities.**”
- ▶ Once the Plan purchases an annuity for you, the insurance company will be responsible for paying your benefit and the guarantee of your pension benefits by the federal Pension Benefit Guaranty Corporation will end
- ▶ All states, Puerto Rico and the District of Columbia have “guaranty associations.” The purpose of a guaranty association is to protect policy holders, up to specified limits, in the event the insurance company is financially unable to meet its obligations

\*\*\* At the beginning of March, you will receive a list with each of the licensed insurance companies that Northern Rivers is considering for the annuity contract.

A former colleague received a letter about the plan termination, but I did not ....Why? Who do I contact to inquire about my benefit?

- ▶ It is possible that if you have moved or changed names that our records may not be up-to-date.
- ▶ If you previously received a lump-sum payment of your pension benefit you are not entitled additional payments from the plan
- ▶ You are currently receiving an annuity payable by Mutual of America – if this is the case, there is no change being made to your benefit
- ▶ If you have any questions concerning the plan's termination, contact Sonja Hanselman at 607-337-6087

# Additional Questions

- ▶ Q: Is it possible for a current employee of Northern Rivers take a lump-sum benefit sooner than March 1?
- ▶ A: No – election forms will be provided around March 1 and lump-sums will be distributed in early May
  
- ▶ Q: If I'm not ready to elect ... will a choice be made for me?
- ▶ A: No – you will have the option to elect any form of payment available under the plan at a future date
  
- ▶ Q: If I've already elected to begin an annuity, can I now elect a lump sum?
- ▶ A: No – if you have elected a form of payment already, it cannot be changed
  
- ▶ Q: Can a current employee of Northern Rivers rollover lump-sum funds into an IRA rather than the Northern Rivers 401k?
- ▶ A: Yes. Note that former employees are not eligible to rollover into the Northern Rivers 401k
  
- ▶ Q: Is there an end date for payment if you are already collecting?
- ▶ A: No – if you are already collecting, your payments will continue being made in the form elected



# Additional Questions

- ▶ Q: Can I rollover part of my lump-sum distribution and take part of it in cash?
- ▶ A: Yes – your election paperwork will give you the option to designate how much is taken in cash and how much is rolled into a pre-tax retirement plan such as a 401k or IRA
  
- ▶ Q: If my benefit is provided by an insurance company, will there be a cost to me?
- ▶ A: No – Northern Rivers will pay the full cost of the annuity contract and you will be entitled to the full amount of your pension benefit
  
- ▶ Q: Do I have a say in what insurer is selected?
- ▶ A: The selection of the insurer will be made by the plan Trustee, the Northern Rivers Board of Directors
  
- ▶ Q: Between now and the termination, where will plan assets be invested?
- ▶ A: Plan investments are currently in a short-term certificate of deposit and will remain in that investment until the termination
  
- ▶ Q: If I have an ACH setup, will I have to contact the insurer to continue receiving payments after the termination?
- ▶ A: No – Northern Rivers will provide relevant account information to the selected insurer

# Additional Questions

- ▶ Q: What criteria is looked at when selecting an annuity provider?
- ▶ A: Plan Trustees have engaged with a service provider to provide objective research assistance and recommendations regarding Insurance Carriers which meet ERISA standards and **DOL IB 95-1** (as amended) requirements. These professionals will conduct an objective, thorough and analytical search for the purpose of assisting plan fiduciaries with identifying and selecting providers from which to purchase annuities.
- ▶ Northern Rivers along with their service provider, will evaluate several factors relating to a potential annuity provider's claims paying ability and creditworthiness. Reliance solely on ratings provided by insurance rating services is not sufficient to meet this requirement. In this regard, the types of factors we will consider will include, among other things:
  1. The quality and diversification of the annuity provider's investment portfolio;
  2. The size of the insurer relative to the proposed contract;
  3. The level of the insurer's capital and surplus;
  4. The lines of business of the annuity provider and other indications of an insurer's exposure to liability;
  5. The structure of the annuity contract and guarantees supporting the annuities, such as the use of separate accounts;
  6. The availability of additional protection through state guaranty associations and the extent of their guarantees.