

Could Now Be the Best Time to Terminate Your Defined Benefit Plan?



If you've been considering terminating your frozen defined benefit (DB) plan, this may be the right time to act. Current market conditions present a unique opportunity for frozen DB plans that are well funded. Many plan sponsors in a similar situation have sought to terminate their DB plan in this environment as a way to:

- Eliminate an administrative burden on staff
- Reduce financial risk to the organization
- Provide access to funds for plan participants

The actuarial consultants at FuturePlan can help you streamline the process, find a solution that makes sense for your organization, and manage costs.

WHY NOW?

Key reasons to consider terminating your plan now:



High interest rates

The cost of buying annuities as an alternative or paying lump sums to participants are at historic lows.



Continued growth in the equity market

Your plan is likely better funded now than in prior years.



Time may be running out

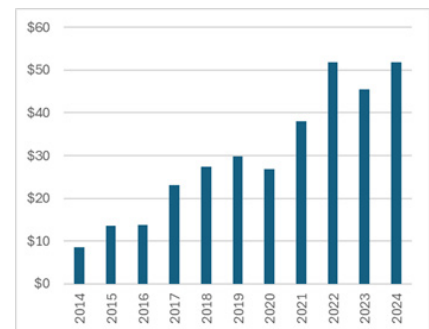
There's no guarantee the current conditions will be sustainable due to geopolitical and interest rate uncertainty coupled with market volatility.

This may be the most advantageous time in years to terminate your plan, and FuturePlan is able to help you through every stage of the process.

And, since this is a standalone service, you don't need to already be using our actuarial services. Our DB termination service has a cost structure that is often far less expensive than our competitors.

How the market is capitalizing

Annuity risk transfer activity has increased from \$8.6B in 2014 to **\$51.8B in 2024** (per LIMRA*). A **500% increase** over the 10-year period.



*LIMRA: Based on quarterly U.S. group annuity risk transfer activity data (buy-out and buy-in sales) published via the [LIMRA Fact Tank](#).

Case study

FuturePlan recently assisted a large healthcare organization with a DB plan termination.

BACKGROUND FOR TERMINATION:

- The pension plan was frozen several years ago, and the goal was to have it terminated.
- Given the high-interest-rate environment and recent asset performance, the company carefully evaluated their situation with FuturePlan and decided to “**strike while the iron is hot!**”
- The timing of the termination resulted in the plan becoming overfunded, and the company was able to utilize excess assets to fund future contributions in the replacement defined contribution plan.

KEY CONSIDERATIONS:

- The pension plan consisted of approximately 925 active participants, 380 inactive participants who were still owed a benefit, and 1,100 currently receiving a benefit.
- Both active and inactive participants who were not in payment were offered a lump sum option, which **70 percent took**.
- Participants were allowed to roll over their pension lump sum into an existing defined contribution plan sponsored by the company.
- **\$30M in lump sums** were paid out to participants and **\$148M worth of annuities** were purchased from an insurance company.

Outcome

Working strategically and leveraging FuturePlan's experience in negotiating annuity placement costs with insurance companies, the healthcare organization was able to settle liabilities **7.5 percent lower than expected**, saving it **\$12M**.

HOW FUTUREPLAN MADE THE PLAN TERMINATION EASY AND ELIMINATED BARRIERS FOR SUCCESS

- Collaborated with plan sponsor to establish timeline and financial expectations up front, reducing risk of surprises later
- Created online portal for participants, providing digital access to important notifications and ease of election submissions
- Established a call center for participant inquiries, freeing up plan sponsor's staff to focus on more important tasks
- Hosted participant education sessions focused on the plan termination process and available options, making sure participants understood their benefit options which led to a high lump sum take rate
- Led regular plan termination calls with the plan sponsor, ensuring a smooth termination process
- Facilitated all required filings to the Pension Benefit Guaranty Corporation as well as IRS filings in partnership with the client's ERISA counsel



HOW CAN FUTUREPLAN HELP?

As a leading national TPA and actuarial firm, we have decades of experience. We are here to answer questions, share more information, and help you get started. FuturePlan has a dedicated team, including actuaries and annuity placement specialists on staff, focused on navigating the complex process of terminating a DB plan.

Contact our dedicated team to learn more:

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