

Lump Sum &
Pension Elections

Participant Services for DB Plans



CESCrews

Introduction

No one takes participant services more seriously than we do.

A recent high-profile lawsuit, for the first time, demonstrated that companies can be sued for poor participant communications and assistance. At least service providers like Aon.

Others promise, we deliver. With our Lump Sum Analyzer (LSA), education, and participant consultants we provide an enhanced participant experience, increased goodwill, and potential reductions in fiduciary liability.

Our mission is to help participants make the best decisions for THEM. Other firms interests and motivations may lie elsewhere.

It is important to keep track of the motivation for providing these services.

Many see it as their mission to maximize the percentage who take the lump sum offer. They do this because it's cheaper to pay out lump sums than it is to buy annuities. But this means that they interpret their own fiduciary responsibility as aimed particularly at the *plan sponsor*, and do not feel the same fiduciary responsibility to the plan participants. But the fiduciary role arises from ERISA, and the purpose of ERISA is to protect the interests of participants. Taking the side of the sponsors (by actively promoting lump sums instead of offering neutral or participant-centric advice) itself is arguably a breach of fiduciary duty.

Benefits to Plan Sponsors

- Help with the lump sum education and communication process
- Provide employees with additional options and retirement planning assistance
- Increase goodwill and acceptance from participants
- Reduce fiduciary liability
- Better administer election responses
- Help plans stay on the right side of DOL and other developments

COMPLIANCE | March 15, 2021

PLANSPONSOR

Magistrate Judge Says Aon, Alight Can't Evade PRT Lawsuit

The firms allegedly provided a comprehensive set of pension plan termination services to a hospital system client that, according to plaintiffs, resulted in suboptimal outcomes for the employer and its employees.

Participant Services (PS)

Our services, systems, and consultants can help participants and plan sponsors alike.

Aimed at improving the *Participant's Experience*, PS is a combination of services for participants, with the plan sponsor's support and involvement.

Education

The process begins with information. Participants are offered access to lump sum election education forums/meetings. These sessions are free and made available at convenient locations and times. They allow members to ask questions about their options and get as much information as they need/want to make their decision. Additionally, interactive webinars are made available.

Systems – The LSA (Lump Sum Analyzer) from **CESCrews**

Our online system helps users decide which option is best for them and their retirement, independent of any product, carrier, investment company, etc. Customized for each plan sponsor, the **Lump Sum Analyzer™** on CESCrews.com combines plan level data with the user's confidentially provided retirement assumptions, so users can see the impact of their choices.

Participant Consultants

The personal, human touch. Working with specially trained advisers all participants can access unbiased advice regarding their election and retirement planning during the election period. Consultations are available online, over the phone, and in person where practicable.

These services are available to all - rank and file as well as the highly compensated.



Participants, Plan Sponsors, And Lump Sums

Lump sum elections as a result of de-risking activity from defined benefit pension plans are key to the process.

It often leaves something to be desired.

The current method usually involves the participant deciding from a few amounts in the election letter, often with a 30-day time limit.

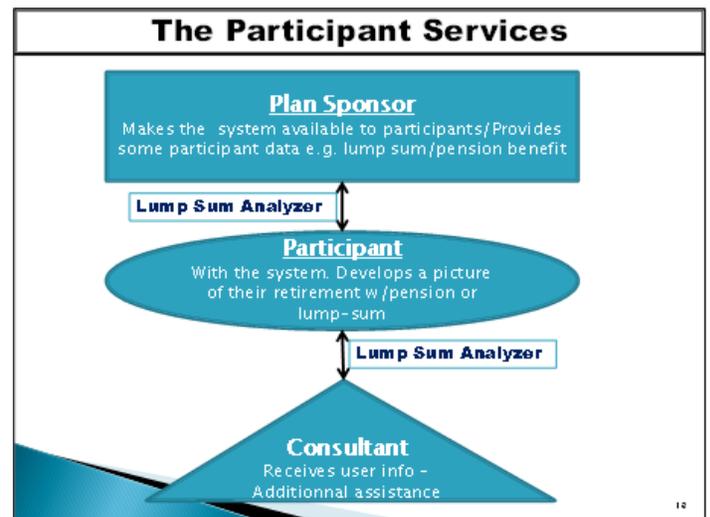
- ▶ Participants need (and merit) an improved course of action especially given the increased attention from the Department of Labor's [ERISA Advisory Council](#) and their investigation into de-risking activities.
- ▶ The U.S. General Accounting Office issued a report, "[Participants Need Better Information When Offered Lump Sums That Replace Their Lifetime Benefits](#)"

A lump sum is usually very enticing as it provides flexibility and a pool of investable assets. However, many people quickly spend some or even all the money, leaving less than needed for a long retirement.

Plan Sponsors need a process that increases participant satisfaction and keeps them on the right side of changes in the regulatory environment and can benefit from actions that increase participant security and comfort with the lump sum election.

Here's how it works.

1. The plan sponsor makes Participant Services available to those being offered a lump sum.
2. Participants are given access to the online system and other resources. They can then enter their retirement information and receive their personalized analysis, confidentially.
3. Participants can access consultants for additional assistance, at their option. With permission, data from the online system can be used to assist the consultant.



The Lump Sum Analyzer (LSA)

LSA is the proven state of the art system decades in the making.

Most participants will never have a written retirement analysis.

Participants need help with their elections and plan sponsors can use this automated tool to support their participants *and* identify those engaged in, or likely need a nudge to complete the process.

How much money do I need? is perhaps the most frequent question. But the more salient questions for most are *What are my options?* and *How do I get there* given my own circumstances? - especially if it's increasingly obvious they don't have enough to maintain the kind of lifestyle they're planning.

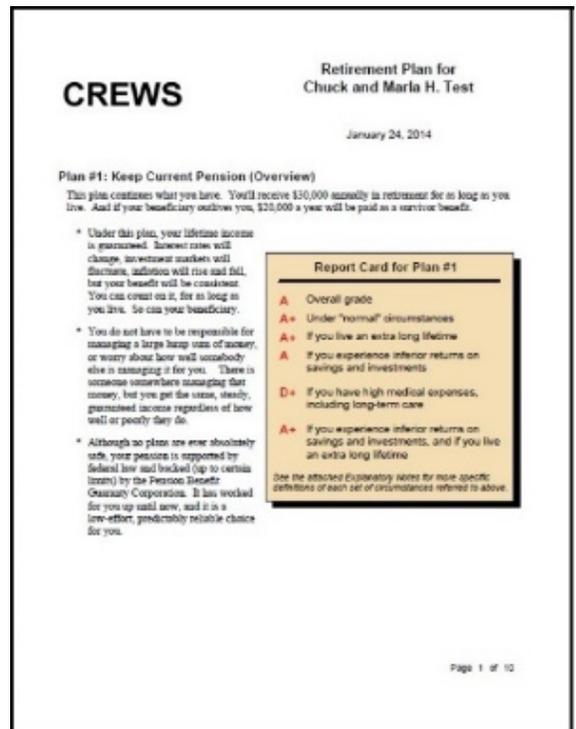
“...three out of four boomers don't have a written financial plan for retirement. For millennials, 87 percent don't have a plan and 81 percent of Gen Xers are without a plan.” – Fidelity ¹

The LSA provides a retirement analysis for users who are at a critical juncture in their retirement planning: *Do I take the lump sum or keep my pension, albeit in the form of an annuity?* Participants that deserve – though rarely get – written analyses from financial advisers are provided in minutes and then further sharpened over the election period if desired. Participant advantages include:

- A better understanding of their retirement situation and the impact their election could have on a potentially critical financial decision
- Instant updates/reports when new user information is provided
- Confidential input can tie into financial advisor consultations if desired by the user
- Unlimited use during the election period

Benefits to Participants

- Get a written retirement review for perhaps the only time in their lives – when they might need it most
- Become educated about their options and increase their confidence in their decision
- Become aware of how they are set for retirement – An opportunity to take control
- Learn about the changes in their pension plan - and embrace the change



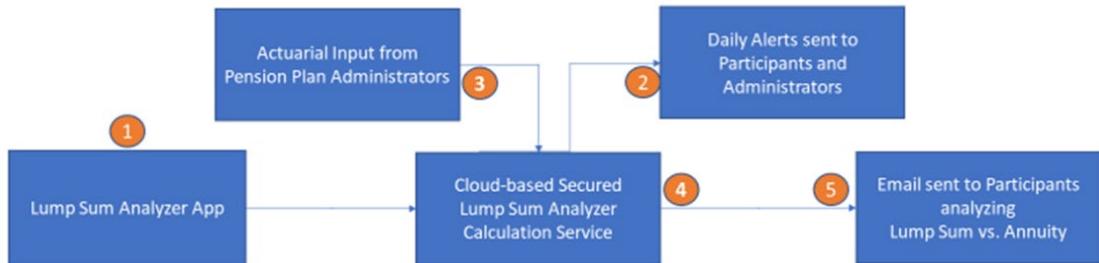
¹ Why Most Americans Lack A Written Financial Retirement Plan <https://www.fa-mag.com/news/most-americans-don-t-have-a-written-financial-retirement-plan-44471.html> April 2019; Jacqueline Sergeant

SaaS (Software as a Service) Backed Services With LSA

Working with the plan sponsor and the participants the LSA incorporates lump sum election data with the user’s confidential responses. Here’s how it works:

1. Participant is provided the app and online tools at the beginning of the election process
2. Plan level election data on each participant is provided by the actuary to CESCrews, so all the user needs to do is provide their name and contact information to get started.
3. The LSA will begin to prompt the user for additional information (if desired) related to their retirement planning like housing expenses, ongoing retirement income, etc.
4. A retirement analysis and summarized results are provided to the participant when enough data is entered. All user data is strictly confidential.
5. The system prompts the user regularly to complete their entries and provides a countdown to when the election period ends, and their election form is due
6. Participants can reach out to their Participant Consultant to further discuss their results, if desired. The reports and input can be provided to the consultant if the participant chooses
7. User activity – not user data – is tracked and provided to the plan sponsor so they know who is engaged and who isn't for follow up purposes.

Lump Sum Analyzer Automation



Process	Description
1	Enrollment period 30 days is initiated to collect required fields. Participants enter information about their household expenses and assets
2	Daily alerts are sent to administrators and participants about missing data <ul style="list-style-type: none"> • Alert to Participant: SMS or Email. Dear <Participant>, Please provide following information <Fields> Lump Sum choice(s) ASAP. You must complete this before the enrollment period ends on MM/DD/YYYY. • Alert to Participant: SMS or Email. Dear <Participant>, Please provide following information <Fields> Lump Sum choice(s) ASAP. You must complete this before the enrollment period ends on MM/DD/YYYY. • Alert to Plan Administrators: SMS or Email. Following participants <LIST> still have to enroll provide information by MM/DD/YYYY. Following participants <list> last logged on MM/DD/YYYY.
3	Updates from pension plan actuaries and administrators
4	Cloud-based secured Lump Sump Analyzer service
5	Email sent to participants with detailed analysis and comparison between the two options: lump sum vs Annuity

Case Study

Sample Co. is terminating its pension plan. Four weeks ago, election letters were sent to close to 300 participants.

We started working with Sample Co. a few weeks before the letters were sent to provide the following...

Education

We set up a series of events/webinars in various locations so that all those that receive election offers have the chance to get information and ask questions about their election, their retirement, and what's happening with their pension plan.

Website and System

We set up a customized webpage for **Sample Co.** at CESCrews.com/sample-company. The website provides in-depth information regarding the impact of participant's decisions as well as the **Lump Sum Analyzer™** which participants can use to analyze their retirement situation under both scenarios: taking the lump sum or keeping the pension. The company can also track user activity and focus follow-up efforts on the stragglers.

Participant Consultants

The personal, human touch. Working with specially trained advisers all participants can access unbiased advice regarding their election and retirement planning during the election period – in person, or over the phone. Consultations are available online, over the phone, and in person where practicable.



Welcome to the CES-CREWS website. This area of the site is specifically for **Sample Company** pension plan participants.

You've been told you have the option of converting all of your pension plan to an immediate cash payment (a "lump sum"). What should you do? Just as important, how do you even think about this in a sensible way?

Sample Company is terminating the traditional pension plan, and you are being offered a one-time opportunity to take a lump sum in exchange for giving up any future benefits you otherwise would be entitled to.

You will have the choice to receive your benefits in a lump sum, which may be rolled over to an individual retirement account (IRA) or to an eligible retirement plan of your current employer. If the funds are rolled over, there will be no current tax consequences to you.

If the lump sum value of your pension benefits is more than \$5,000, you will also have the choice to have your benefits provided through the purchase of an annuity from an insurance company.

There is more than one way to think about this decision. Taking the lump sum means you have an immediate financial windfall. What's more exciting than that? And who doesn't have a mental list of great things that could be done with a windfall?

Then again, if you take the lump sum, you may be cheating your own future, or that of people who depend on you. Maybe that money is going to mean a whole lot more to you later than it does now, not least of all because if left alone, it is *help* to grow.

Of course, if the lump sum amount is small, none of this matters a great deal. But if it represents more than a few paychecks to you, then it's worth putting some serious thought into.

And that's what this guide is for.

Please click on the image of our detailed guide "Should You Accept A Lump Sum From Your Pension Plan?" for more detail and information regarding lump sum elections.

Participant Forums

Group Webinar #1

Monday, July 6, 2020 at 5:00 pm
Eastern Time Zone

Please check back for the link to the webinar.

Group Webinar #2

Wednesday, July 8, 2020 at 2:00 pm
Eastern Time Zone

Please check back for the link to the webinar.

Group Webinar #3

Friday, July 10, 2020 at Noon
Eastern Time Zone

Please check back for the link to the webinar.

Lump Sum Analyzer

Would you like help deciding?

By spending a bit of time with our Lump Sum Analyzer (LSA) system you can see the impact of the pension vs. lump sum using your own personal financial and other information...

It might prove useful to do a bit of research into your retirement information before engaging the LSA so we have prepared a worksheet for you to look at before you begin. To review click [here](#).

Otherwise, just dive in. You can use the system as much as you like during the election period.

CESCrews

We provide a unique combination of services and systems.

We work closely with consultants and advisers and with plans of all sizes, in all sectors, for profit and non-profits.

CESCrews technology and services allow users to get comfortable with the impact of their decision and use the election process as an opportunity to really get ready for, or at least get a good read on, their retirement.

In the end, participants and plan sponsors gain from a better communication and opinion of the lump sum offer, while reducing potential downsides.

And better retirements...

For more information, please contact:

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