



Terminating a defined benefit plan?

Here's what you need to know.



When terminating a defined benefit plan, it's important to be aware of the Pension Benefit Guaranty Corporation (PBGC) standard termination requirements, and the dates by which they must be completed. Here's a quick overview to help.

A plan termination happens when retirement funds are equal to or greater than plan benefit liabilities.

To file a standard PBGC plan termination, the plan sponsor must complete these two steps:

- 1 Provide a Notice of Intent to terminate.**
All required parties must receive the notice at least 60 days, but no earlier than 90 days, before the proposed termination date. If the plan sponsor doesn't provide this notice, the retirement plan termination will be void.
- 2 Show the PBGC that the plan has sufficient funds.**
An enrolled actuary must certify that the funds can cover benefit liabilities using Schedule EA-S. In addition to the EA-S, a Form 500 must also be filed with the PBGC for termination.



If the PBGC doesn't issue a Notice of Noncompliance within 60 days after the plan sponsor files Form 500 and Schedule EA-S, the plan sponsor can start distributing funds to participants.

The plan sponsor may want to request a determination letter from the IRS. However, distribution of retirement funds may be delayed until approval is received.

Standard termination processing timetable

This is a hypothetical example of how the termination process timetable would work. It shows the action you need to take, the amount of time you have to take that action, and sample calendar dates of your deadlines in order to meet the timetable requirements.

Action needed	Timeline for action	Sample dates
Earliest date to give Notice of Intent to terminate	90 days before plan termination date	March 3, 2018
Latest date to give Notice of Intent to terminate	60 days before plan termination date	April 2, 2018
Plan termination date: June 1, 2018		
Latest date for filing Standard Termination Notice (Form 500) with PBGC	180 days after plan termination date	November 28, 2018
Latest date for PBGC to issue Notice of Noncompliance*	60 days after filing Standard Termination Notice (Form 500)	January 27, 2019
Date of distribution**	240 days after filing Standard Termination Notice (Form 500)	July 26, 2019
Deadline for filing Post-Distribution Certification (Form 501) with PBGC	30 days after date of distribution	August 25, 2019



*The PBGC may extend this period if they don't complete their review within 60 days.

**If you filed the IRS filing at the same time, or before the PBGC filing was made, and the IRS has not issued a qualification letter within 180 days, the distribution period will be extended. The distribution period is then 120 days after the date of receipt of the qualification letter.

Note: If the timing requirements shown above are not met, the PBGC may consider the termination null and void, and the retirement plan would continue.

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