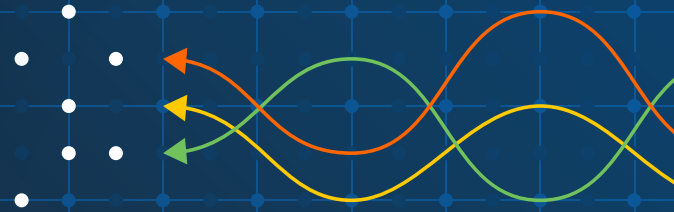


# Ongoing monitoring



## The situation

A company with a frozen defined benefit (DB) pension plan wished to terminate the plan once it was financially feasible to do so. The company's pension committee had thoughtfully constructed an asset allocation policy and a cash contribution policy and were reasonably certain that the plan would be fully funded within five to seven years. The chief financial officer (CFO) was concerned about getting timely information on the plan's

funded status so that she would know when the time had come to initiate the plan termination process. Because plan terminations are time-consuming, the goal was to "pull the trigger" early in a calendar year and terminate before the end of that same year. However, updated asset and liability numbers were typically not available until April or May and getting updates only once a year just didn't meet the CFO's needs.

## The solution

The company's Milliman consultant first addressed the timeliness of asset updates. The plan held some private investments that did not have readily available market valuations. These investments also required substantial lead times to be liquidated. The Milliman consultant suggested that the company initiate the process of liquidating the investments right away, so that the liquidation process would not impede the plan termination. And until the investments were completely liquidated, the Milliman consultant suggested using a market index to estimate the market value of the holdings. The Milliman consultant also suggested arranging with the trustee for online access to daily market value information, so that both the CFO and the Milliman consultant could stay abreast of changing asset values.

The Milliman consultant recommended several tools that could be used to monitor the plan's funded status in between annual valuations:

- Milliman's **Pension Performance Dashboard** would provide periodic updates throughout the year and would reflect emerging market conditions such as asset performance and changes in the interest rate environment. The 10-year forecast of key funding and financial reporting results would allow the CFO to stay well-informed of the plan's current funded status and get a feel for how much longer it would be until the plan was fully funded.
- Milliman's **FutureCost Online** would give the CFO on-demand access to robust pension projection capabilities so that she could proactively explore the impact of changing interest rates, contribution levels, and investment returns on the plan's funded status. FutureCost Online is a great choice for the hands-on financial manager who enjoys the ability to explore how changing market conditions will impact a pension plan's financial picture.
- Milliman's **Daily Pension Tracker** could send daily updates of the plan's funded status right to the CFO's phone or inbox, allowing her to stay on top of changes in interest rates and fluctuations in the asset performance.

## The outcome

Because the plan termination is still a number of years away, the CFO opted for the **Pension Performance Dashboard**. At the start of the COVID-19 pandemic, when the market was gyrating wildly, her Milliman consultant prepared monthly updates; now that the market has stabilized, a cadence of quarterly updates does a good job of meeting the CFO's need for keeping tabs on financial situations. She is comfortable that she will be able to stay on top of the situation and know when the time has come to initiate the plan termination process.