



CASE STUDY

RETIREMENT PLAN SERVICES
DEFINED BENEFIT PLAN TERMINATION CONSULTING

Terminating DB Plan Avoids Severe IRS Penalties Facing International Conglomerate!

ISSUE

An international conglomerate with over 50 companies around the globe and a sizeable controlled group in the U.S. with more than 10,000 employees, had 25 qualified 401(k) plans sponsored by its subsidiaries and one defined benefit (DB) plan sponsored by its U.S. parent. The U.S. parent company's defined benefit plan was significantly underfunded, and it was in danger of falling out of compliance with the IRS controlled group rules. The lack of compliance with the DB plan would also result in the other 25 qualified plans falling into non-compliance. The parent company did not want to deal with the significant unfunded liability, nor the potential IRS penalties.

ACTION

CohnReznick Benefits Consultants learned of the misguided advice another benefits consulting firm provided the conglomerate, and was then hired to take over the consulting role. Without considering the entire controlled group of the conglomerate, the previous firm would have implemented a DB plan non-compliant with IRS rules, had we not stepped in. After further analysis, we froze the client's DB plan, designed a defined contribution replacement plan that was compliant with IRS rules, and set them on a course to successfully terminate their frozen DB plan.

IMPACT

Because of our consultation and specific actions, the client was spared from following an erroneous strategy preventing both a confrontation with the IRS and an embarrassing situation. Additionally, we kept the client from having to liquidate a non-compliant DB plan, potentially saving them millions of dollars.

ABOUT COHNREZNICK BENEFITS CONSULTANTS

As a joint venture between CohnReznick and Chernoff Diamond & Co. Inc. LLC, CohnReznick Benefits Consultants provides comprehensive advisory implementation, and administrative services for employee benefits and retirement plans. Our benefits consultants also have experience in merger and acquisition environments, compensation plans, and group health and welfare plans.

For more information on how CohnReznick Benefits Consultants can help you, please contact:

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