The Ryding Company
YOUR RETIREMENT PLAN COMPANY

...providing insightful retirement planning

Plan Terminations

WHAT is a Plan Termination?

Once a company has decided to terminate its employee retirement plan, it is necessary to complete the administration of the plan and ensure terminations are completed in compliance with ERISA and IRS requirements as quickly as possible.

Items to consider when terminating a plan would be:

1. IRS Approval
2. Contribution Requirements
3. Annual Administration
4. Vesting Requirements
5. Loan Repayments
6. Investment Liquidity
7. Future Qualified Plan Eligibility

WHEN can a plan be terminated?

A qualified plan has to be established with the "intention" of being permanent. The government does not want companies setting up employee retirement plans as a sort of temporary, short-term tax shelter.

While regulations do not give a "bright line" test regarding how long is "permanent," as a general rule of thumb,

- ✓ 401(k) retirement plans should have been in place for at least two years.
- ✓ Defined Benefit plans (also sometimes known as pensions) have to have been extant for at least 5-10 years.

If your plan has not existed as long as mentioned above, you still may be able to show it was intended to be a permanent plan with support documentation that show that "unexpected events" (a huge economic downturn, changes in laws, a company restructuring, and so on) necessitate terminating the plan.

- ➢ For additional details regarding plan terminations, please visit our website:

www.trco.com/services/plan-terminations.html

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