

PENSION RISK TRANSFER

PROVIDING PRECISE PARTICIPANT DATA

HELPS ENSURE A SEAMLESS TRANSITION

Now more than ever, defined benefit plan sponsors are looking to pension risk transfer as a solution for mitigating or completely removing the risk in their plans. And whether a transaction is imminent or just being contemplated, there are steps plan sponsors can take today to ensure the process goes smoothly when it's time to transact. An effective way to begin is by analyzing the quality of plan data relative to insurer requirements.

Following is a list of common data issues plan sponsors may encounter when choosing to transfer pension risk to an annuity provider. For the group annuity contract to satisfy the plan liability, it is essential that the plan sponsor provide complete and accurate information regarding each participant, survivor and his or her benefit and features. Inaccurate or incomplete data may affect (i) the benefit purchased, (ii) the premium required, (iii) who is covered by the group annuity contract, (iv) state filing requirements, (v) the issuance of Welcome Kits and Annuity Certificates and (vi) the overall participant experience. We encourage plan sponsors to address these issues prior to the annuity purchase to help ensure a seamless transition for participants.

DATA ISSUE	DESCRIPTION	HOW IT CAN AFFECT AN ANNUITY PURCHASE
Incorrect Date of Birth and Gender	The plan sponsor may have an incorrect date of birth or gender for the participant or survivor, including a system default date of birth (for example, 1/1/1911).	In addition to impacting the premium, inaccurate date of birth and gender information can affect the participant's ability to authenticate when calling the annuity provider or logging in to their website.
Missing or Incomplete Survivor Information	The participant elected a Joint & Survivor annuity, but the plan sponsor does not have complete information for the survivor (e.g., spouse). This includes SSN (or federal tax identification number), name, date of birth, gender and the amount payable to the survivor.	Complete information that uniquely identifies the survivor is required to purchase a Joint & Survivor annuity. Without this information it would be difficult or impossible to identify, locate and pay the correct survivor.
Mortality Review	The survivor on a participant's Joint & Survivor annuity may be deceased, but the participant did not notify the plan sponsor. A mortality review of each participant and survivor may allow the plan sponsor to identify such situations and update its records.	<ul style="list-style-type: none">• May cause the plan sponsor to make a larger contribution to their plan than necessary• Impacts whether the plan sponsor purchases a Single Life versus a Joint & Survivor annuity under the group annuity contract

DATA ISSUE	DESCRIPTION	HOW IT CAN AFFECT AN ANNUITY PURCHASE
Qualified Domestic Relations Order (QDRO) Data	<p>Shared Interest QDRO: The Alternate Payee (AP) will receive payments until the earlier of the participant's or AP's death. If the AP predeceases the participant, the AP's benefit reverts to the participant. <i>Every Shared Interest AP must also have an associated plan participant that is part of the covered population.</i></p> <p>Separate Interest QDRO: The AP will receive payments for the AP's lifetime, or over a period not extending beyond the AP's life expectancy.</p>	<ul style="list-style-type: none"> The plan sponsor is responsible for providing the QDRO type and associated information for each existing AP, which determines the AP's guarantee and the premium required for the annuity purchase Each AP will be included on the contractual annuity exhibit QDRO documents are not submitted to the annuity provider for existing APs
Known Bad Address	The plan sponsor may learn that the address on their system is not current, as they receive post office returns of plan communications such as annual funding notices and Form 1099-Rs.	<ul style="list-style-type: none"> Post office returns can delay the delivery of important communications from the plan sponsor as well as the annuity provider, such as Notice of Plan Benefits, Welcome Kits and Annuity Certificates If the list of known bad addresses is made available to the annuity provider, research can be performed to identify a possible current address
Participants Cannot Be Located	The plan sponsor may have temporarily suspended payments to participants because a bank account was closed or checks were returned by the post office and a forwarding address was not provided.	The plan sponsor will be asked to identify any participants in this situation. The annuity provider will attempt to locate a current address and initiate payments under the group annuity contract.
Home Address vs. Alternate Address	More than one address may exist on the plan sponsor's recordkeeping system. For example, a "snowbird", where the participant's home residence is in Pennsylvania, but correspondence is currently sent to an alternate address in Florida.	<ul style="list-style-type: none"> The plan sponsor should identify and provide both addresses to the annuity provider State tax withholding requirements will be based on the home residence, while communications may be sent to the alternate address
After-Tax Employee Contributions	If employees contributed to the plan and those contributions were previously taxed, a portion of each monthly payment is considered tax free for a period of time. In addition, the participant is credited with an initial refund death benefit that gets reduced each month by all or a portion of the monthly payment.	<ul style="list-style-type: none"> Tax reporting: The monthly tax-free amount (excludable amount) and remaining tax-free amount (employee contributions without interest) as of a current date are needed to report the correct taxable amount each year and determine when payments become fully taxable Death benefits: The remaining refund death benefit (employee contributions plus interest, less any payments previously received) as of a current date is needed to determine if a lump sum benefit is payable after the participant's death
Eligibility for Future Benefits or Options	The plan sponsor may currently determine certain benefits and eligibility conditions on a case-by-case basis by pulling files as events occur. Examples: (i) pop-up feature if the spouse predeceases the participant, (ii) additional benefit payable to certain participants at a future date, (iii) death benefits payable based on specific criteria, (iv) survivor benefits payable to APs under a QDRO after the participant's death or (v) certain participants eligible to exercise an option after retirement.	<ul style="list-style-type: none"> If the benefit or eligibility only applies to a subset of the total population, the eligible population must be identified The corresponding data must be provided for each participant and included in the contractual annuity exhibit at the time of purchase The annuity provider will not have access to plan records
Power of Attorney/Guardian	An attorney-in-fact or guardian was appointed to handle the participant's financial affairs. In the case of a guardian, the plan sponsor may have also updated the check name to reflect the guardian's name and title.	<ul style="list-style-type: none"> To ensure the best service experience, the plan sponsor will be asked to provide documentation for any existing Power of Attorney or Guardianship arrangement so the annuity provider can identify the powers, limitations and/or expiration dates If the plan sponsor is unable to provide documentation, the annuity provider will request it from attorney-in-fact/guardian when they contact our office
IRS Tax Levies	Participants may be subject to an IRS Tax Levy, where all or a portion of their payments are sent to the IRS each month.	The plan sponsor will be required to identify all existing levies, and provide the levy documentation (Form 668-W) along with the payment data and expiry date applicable to the levy payment.

Prudential is a recognized leader in pension risk transfer, skilled at executing transactions of all sizes and levels of complexity. We are committed to delivering solutions that create two critically important outcomes—retirement security for individuals, and financial security for corporations and counterparties. **Contact Prudential today: 860-534-2440 pensionrisktransfer@prudential.com**



Neither Prudential Financial nor any of its affiliates provide tax or legal advice for which you should consult your qualified professional.

Insurance products are issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT, or The Prudential Insurance Company of America (PICA), Newark, NJ. Retirement products and services are provided by PRIAC. Both are Prudential Financial companies. Each is solely responsible for its financial conditions and contractual obligations.

© 2016 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, the Rock symbol and Bring Your Challenges are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.