



**Conrad Siegel**  
ACTUARIES

*The Employee Benefits Company*

“The ability to redesign a retirement program to meet both the needs of management and the expectations of employees requires independent thinking.”

## The Challenge

When our client, a 75 year-old manufacturing company located in central Pennsylvania, approached us with the challenge of helping them to better predict and control the impact of pension funding requirements on their company finances, we knew this called for some independent thinking in order to find a creative solution.

While the long-term costs of the benefit formula were appropriate, short-term fluctuations in cash requirements and Generally Accepted Accounting Principles (GAAP) expenses were unacceptable. The current economic conditions and the excess government regulation of defined benefit pension plans had caused contributions to dramatically increase and fluctuate from year to year.

## The Solution

**Plan Review** – To help evaluate the risks and opportunities associated with making changes in their retirement program, this manufacturing company engaged the services of **Conrad Siegel Actuaries** to undertake a thorough review of the defined benefit pension plan to determine if contributions could be stabilized. After exploring several options, this company decided the best course of action was to freeze future accruals in the defined benefit plan and introduce a new defined contribution plan.

**Identify Goals and Objectives** – In consultation with **Conrad Siegel Actuaries**, our client identified three major goals for the new defined contribution retirement plan:

- Make pension contributions more stable from year to year.
- Create value, by encouraging employees to take some responsibility for their future retirement needs. In order to receive the benefit of the employer's contributions, employee contributions would be required.
- Ensure that each employee's pension benefit at retirement would be equitable between the new and old retirement programs.

**Action Plan** – **Conrad Siegel Actuaries** developed a model to determine the impact that changing from a defined benefit to a defined contribution plan would have on an employee's retirement income. Using this model, we were able to help our client analyze many different allocation formulas at different economic assumptions in order to determine a contribution level that would best mimic the defined benefit formula.

## The Result

As a result, our client was able to offer their employees a redesigned retirement program that met the financial needs of the company – relatively predictable contribution requirements; and employees' expectations – one that did not impact the majority of employees' retirement benefits under the most likely economic scenarios. But the job was not yet done!

Our client realized that communicating to employees the reasons why changes to the long-standing defined benefit pension plan were needed and the advantages of the new defined contribution plan would be critical to the successful acceptance of the overall program. Because of the comfort level and confidence developed throughout our analysis and plan redesign steps, we were asked to develop the employee communications materials and conduct over thirty presentations directly with the workforce. Feedback has been overwhelmingly positive.

**For our client, independent thinking has paid off by meeting company needs and employees' expectations in the redesign of their retirement program.**



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## **About Conrad Siegel *Actuaries***

**Conrad Siegel *Actuaries*** offers high-quality client-focused solutions to businesses seeking stronger performing value-added employee benefits programs. For nearly half a century, **Conrad Siegel *Actuaries*** has been recognized as both an industry leader and a trusted advisor for its expertise in all facets of employee benefits. We have a strong tradition of providing impartial, numbers-driven advice, customized solutions, and unparalleled service.

As one of the nation's largest, independent actuarial firms, we are owned by the professionals who work directly with their clients. We adhere to the highest professional standards, providing services on a fee-only basis. We do not receive commissions or sell investments. Personalized service and long-term relationships are the foundation of all our consulting assignments. As a result, clients trust our advice will always be in their best interests.

We offer a broad array of actuarial consulting and administrative services for defined benefit retirement plans, defined contribution retirement plans, health and welfare consulting, and investment advisory services through our wholly owned subsidiary **Conrad Siegel *Investment Advisors, Inc.***

One Source, One Solution – **Conrad Siegel *Actuaries***, The Employee Benefits Company