

Our Plan Closed. Now What?

What trustees expect, what actually happens, and what really matters.



Resource Centers:
Scott Baur, Partner



What Trustees Commonly Expect When a Plan Closes



Contributions become unpredictable



Investment risk must decline



Liquidity becomes a major problem



The end feels financially dangerous



What Actually Changes When a Plan Closes

- No new entrants
- Benefits are fixed and finite
- Cash flows become more predictable
- Risks **shift** — they do not necessarily increase

“What risks truly threaten the sponsor and beneficiaries now — and which ones no longer do?”



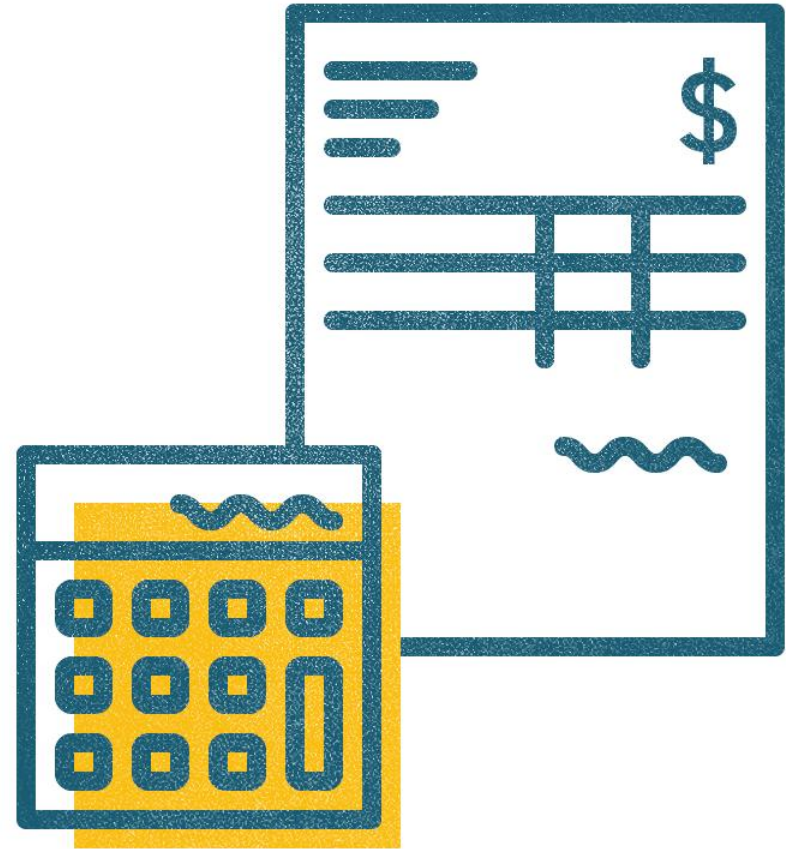
Why Traditional Metrics Lose Meaning

Goodhart's Law

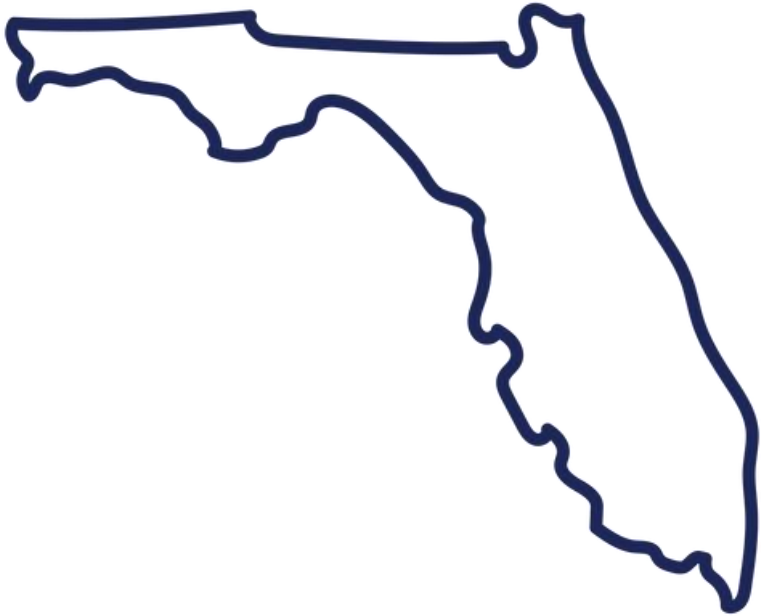
When a measure becomes a target, it ceases to be a good measure.

Why the Actuarially Determined Contribution Becomes Less Informative

- Normal cost fades
- UAAL dominates
- ADC becomes a financing artifact, not a planning tool



Florida Adds an Important Floor — Even for Closed Plans



- Ongoing normal cost requirements
- Administrative expenses must still be paid
- Closure does *not* mean zero obligation



Late-Stage Closed Plans Are No Longer “Large- Number” Systems

- Small populations
- Binary outcomes
- One death can materially change the math

Many Lives → Few Lives

Funded Ratio Volatility Is Often Just Uncertainty Resolving

- Volatility \neq danger
- In small plans, funded status noise increases
- Economic consequences often shrink at the same time





The Math Gets Louder Just as the Dollars Get Quieter

- Sensitivity looks dramatic
- Sponsor impact is often immaterial
- Trustees must interpret results, not react to them



Investment Risk Reframed

Conventional Wisdom:
“Closed Plans Must De-Risk”

- Lower returns
- Shorter horizons
- Glide paths toward bonds



Risk Has More Than One Definition

- Portfolio volatility risk
- Liquidity risk
- Sponsor budget risk
- Governance and operational risk

Liquidity Risk Is Often Overstated in Closed Plans

- Public markets are liquid
- ETFs and mutual funds rebalance easily
- Liquidity \neq abandoning growth assets



Contribution Volatility Matters Only If It Threatens the Sponsor

- Percent swings look scary
- Dollar swings often don't
- Budget absorbability matters more than precision



Lake Park Police Pension Fund: A Real-World Counterexample

- Closed for decades
- Assets fully liquid
- Indexed, low-cost strategy
- No forced de-risking



A dark, moody photograph of a man in a military helmet looking through binoculars. The image is overlaid with a semi-transparent dark blue layer. In the top right corner, there are four horizontal dotted lines. In the bottom left corner, there are two vertical dotted lines. The text "What Actually Deserves Trustee Attention" is centered in the lower half of the image in a white serif font.

What Actually Deserves Trustee Attention



The Real Risks in Closed Plans Are Not Market Risks

- Governance fatigue
- Loss of institutional memory
- Board succession challenges



Operational Risk Grows as Plans Age

- Data integrity
- Survivor benefits
- Lost documentation
- Payment accuracy

Simplicity

Flat Costs +
Shrinking Assets
Change the Math

- Expense ratios rise naturally
- Simplicity becomes a virtue
- Over-engineering is costly





The End Game Is Administrative, Not Financial

- Clean records
- Clear procedures
- Vendor continuity
- Orderly dissolution

When (and If) Annuities Ever Make Sense

- Usually late-stage
- Often expensive
- Sometimes appropriate
- Rarely early



Takeaways

What Trustees of
Closed Plans Should
Worry About More

- Governance
- Continuity
- Operational discipline
- Proportional decision-making



What Trustees Should Worry About Less

- Short-term funded ratio noise
 - Modest contribution volatility
 - Reflexive de-risking
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Don't worry about a thing. Every little thing is gonna be alright.

BOB MARLEY

