

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?”



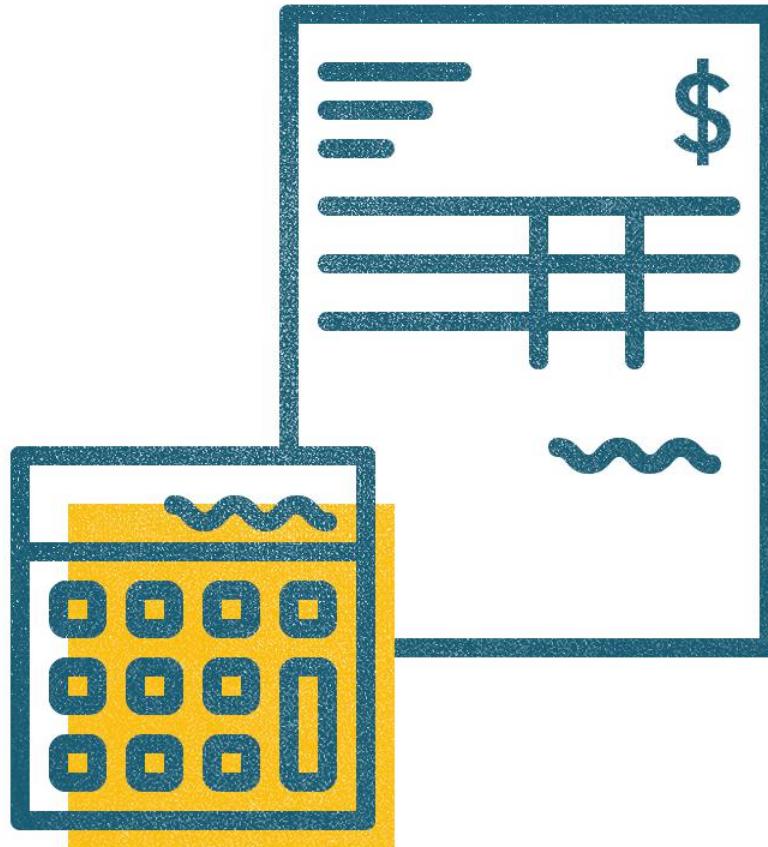
Why Traditional Metrics Lose Meaning

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 ≠ 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 ≠ 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





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

Don't worry about a thing. Every little thing is gonna be alright.

BOB MARLEY

