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My Company is Freezing the Pension Plan: What does this mean? What should I do?

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What exactly has been frozen?
When employees are in a defined benefit pension plan, they need to keep an eye on two things that affect their pension: benefit accrual and vesting credit accrual.

- **Benefit Accrual** describes the process by which your pension increases over the time you work for a company.
- **Vesting Credit Accrual** describes the process of earning the non-forfeitable right to the pension benefit. Current law requires that you must be vested after 5 years of service, so after 5 years you are entitled to the benefits that have accrued in your pension.

If your company elects to “freeze” benefit accruals, this means that your pension will no longer increase in value as of the date of the freeze; the amount of the benefits will not continue to grow after the benefit accruals are frozen. The company cannot take back benefits that have already accrued. If an employee has worked less than 5 years he/she will continue to earn vesting credit under the frozen plan while he/she continues working for the company; so one can become entitled to a pension even after it is frozen if that employee started work before the freeze.

Can my employer do this?
The law allows pension plans to freeze benefit accrual, though it also requires them to provide participants written notice of such a freeze at least 15 days before accruals stop (ERISA § 204(h)). However, a plan cannot reduce or take away benefits that have already accrued.

What are my options?
If you already have a vested pension, then you retain all rights to those funds; you will be eligible to receive it just as you would have before the freeze—including a lump sum distribution. However, most distribution options are only available after one leaves employment. You may want to talk to an outside financial advisor about your particular situation.

While benefit accruals are frozen, other deferred savings programs sponsored by the employer (like the 401(k)) may be viable alternatives. Employees who continue with the company should take advantage of other methods of retirement savings to take the place of the pension benefits that will no longer grow.

What should I do now?
- Get and save an individual benefits statement from the Human Resources Department, and review it for accuracy.
- Make sure you have and keep a current Summary Plan Description.
- You may contact the New England Pension Assistance Project at 888-425-6067 or online at http://www.pensionaction.org if you have additional questions or concerns.