Kent District Library
kdl.org

Pension Derisking & Transfers

KDL’s Pension Plan Status & Commitment

Kent District Library’s defined benefit pension plan remains financially sound (115% funded) and well-managed.

As part of our long-standing commitment to our retirees we are taking this important step to secure future benefits.

Key Terms

Active Employees - Those hired before 2011 who are covered by the pension and are still working toward their retirement.

Actuary - A financial professional who uses mathematics, statistics, and financial theory to study uncertain future events and assess the plan's funding needs and future liabilities.

Annuity - A regular payment someone gets, usually every month, after they retire. It often lasts for the rest of their life.

Deferred Retirees - People who used to work for KDL, have earned retirement benefits, but haven't started getting those payments yet.

Plan Sponsor - The company or government agency that sets up and takes care of the retirement plan. (KDL's Board of Trustees is yours).

Retirees - People who have stopped working and are now receiving their retirement payments.

What is Pension Derisking?

Derisking involves using strategies that a pension plan sponsor (KDL Board of Trustees) uses to reduce or eliminate financial risks (i.e. interest rate fluctuations, market volatility) associated with maintaining a defined benefit pension plan. Derisking helps to protect the assets in the plan for the benefit of the retirees.

KDL's pension derisking is done in conjunction with KDL Board of Trustees and the KDL Pension Board.

To derisk the pension, KDL will be initiating a transfer of some pension obligations to an insurance company.

What is a Pension Transfer & How Does it Affect a Retiree?

A transaction in which a company with a defined benefit pension plan seeks to transfer some (or all) of its future financial obligations to pay retirement benefits to an insurance company.

Done by purchasing an annuity on behalf of each retiree. This adds safeguards and protections for retirees via the state insurance regulatory system, which are currently not available under KDL's existing plan.

Let’s Go Over the Differences

	Current Pension	Future Pension
Who Pays	Comerica Bank.	Whichever Insurance Company the Pension Board Selects.
Regulatory Oversight	Federal. U.S. Department of Labor (DOL), Internal Revenue Service (IRS)	State. Individual state Departments of Insurance
Benefit Amount	NO CHANGE.	NO CHANGE.
Safeguard/Protection	None.	State intervention
Who To Contact with Changes	Comerica	Whichever Insurance Company the Pension Board Selects.

Why Did KDL Choose a Transfer?

- KDL has a commitment to protecting retirement benefits.
- Reduces the likelihood of KDL having to make large unplanned contributions to the plan in the future.
- Insurance companies add extra safeguards and protections.
- Now is the right time for us – we're over 115% funded, giving us a strong position to act strategically.
- This is a proven, regulated approach that many organizations take when the time is right – and for us, that time is now.

Is This Common?

- Yes – pension de-risking is widely used to protect retirees.
- Adopted by major employers: Meijer, General Motors, churches, hospitals, etc.

Timeline

Can take several months or longer, depending on the state of the economic and insurance markets, the timing of decisions made by the KDL Board of Trustees and the KDL Pension Board, and the quality of bids.

We will keep you informed as needed throughout the process.

FAQs

Since the plan is now state regulated, if I live or move out of state will I still be protected?

Yes. Once your pension is transferred to an insurance company, your annuity contract and monthly payments remain in place regardless of where you live.

FAQs

Will this change how my benefit is taxed?

No.

Will this affect my beneficiary?

This will further protect your beneficiary just as it protects you.

FAQs

Are retirees involved in the decision making before, during, or after?

While retirees don't have a formal role in the decision-making process, the KDL Pension Board has a duty to act in the best interest of all participants. That means carefully selecting a highly rated insurer, following a rigorous vetting process, and ensuring your benefits remain protected. Your security is at the center of every step we take. There will be no change in the benefits received, just in who is paying them and providing a measure of protection that does not currently exist.

FAQs

Will cost of living increases continue?

Yes, there is no change to the benefit you will receive.

Does the KDL Pension Plan dissolve after the transfer?

No, a portion of the pension trust's funds would transfer to support the liabilities (i.e., the premium paid to the insurance company for the commitment to the monthly retirement benefits). Thus, the insurance company would agree to provide an annuity to the retirees, for a fee that's paid once at the time of transaction.

FAQs

Is the contract permanent, or can it be changed or sold to another company?

Once a participant's pension is transferred to an insurance company, the contract is permanent and cannot be changed. The insurance company becomes fully responsible for providing the benefit, and the contract cannot be revised. The group annuity contract that KDL purchases will also prohibit the insurance company from transferring it to another insurer. Even if the insurance company itself is sold, the legal entity behind it must still honor and uphold the contract.

In Summary:

Benefit is not changing.
Transition will be smooth without interruptions.
<u>No action is required on your part.</u>

Only change you will experience:
Issuer of your pension check.

Further Support & Resources

E-mail the plan administrator at: **bmortimore@kdl.org**

Visit KDL's Pension Site: **https://kdl.org/about/pension/**