Proskauer

Single-Employer Pension Plan Terminations

Bloomberg Law on **October 21, 2020**

As the economic fallout from the Covid-19 pandemic continues, many employers with significant single-employer defined benefit pension plan liabilities are revisiting options to mitigate their pension exposure in an effort to reduce their annual expenses and to clean up their balance sheets. One option that is often considered is a termination of the pension plan.

However, terminations are only permitted under certain circumstances and have ramifications that must be carefully considered and managed. In particular, terminating an underfunded pension plan alone does not relieve an employer from liability for the plan, but the resulting liability can be negotiated with the Pension Benefit Guaranty Corporation and potentially reduced based on the employer's financial situation.

Under ERISA, a single-employer pension plan can only terminate in a standard termination, a distress termination, or an involuntary termination. Multiemployer plans and multiple-employer plans—plans with unrelated participating employers—are subject to different rules that are not addressed in this article.

Related Professionals

- **Justin S. Alex**
  Partner