

Pension Benefit Guaranty Corporation

76-26

February 19, 1976

REFERENCE:

[*1] 4041 Termination by Plan Administrator

OPINION:

This is in response to your inquiry asking if the assets of a fully funded defined benefit plan, upon its termination, may be transferred to a new profit sharing or defined contribution plan with the amount of earned benefits allocated to each participant under the defined benefit plan to be used as the opening individual account balance for said participants under the new plan.

This Corporation would have no objection to the transfer of the value of earned benefits under the terminated defined benefit plan to the participants' individual accounts under the new plan, provided however, that participants are not required to transfer their earned benefits to the new plan. If the participants do not choose to transfer their earned benefits, the Plan must make immediate arrangements to provide such benefits to the participants. One arrangement approved in the past by this Corporation is the purchase of a fully paid deferred annuity. Regardless of which choice the participant makes, the Plan may not transfer or provide the benefit until after this Corporation issues a notice of sufficiency under Section 4041(b) of the Employee Retirement Income [*2] Security Act of 1974.

I hope this answers your question. Should you have additional questions, please direct them to the Office of the General Counsel, Pension Benefit Guaranty Corporation, 2020 K Street, N.W., Washington, D.C. 20006, or call * * * of this Office at * * *

George B. Driesen
Deputy General Counsel