



CBIZ Actuarial & Benefit Consultants

Floor Offset Plans

Your business is all about people. At CBIZ Actuarial & Benefit Consultants, so is ours. Our goal is to work with you to develop a successful retirement program that meets **your** objectives and allows you to attract and retain the quality employees you need to be successful.

What is a Floor-Offset Plan?

A Floor-Offset Plan is a defined benefit plan that guarantees a minimum benefit or “floor” benefit. The minimum benefit is offset or reduced by the value of the benefit provided to the participant under a defined contribution plan (i.e., a profit sharing plan). The net benefit from the Floor-Offset Plan cannot be less than zero. If a participant’s benefit under the Floor-Offset Plan is less than the benefit provided under the defined contribution plan, the participant receives no benefit from the Floor-Offset Plan. However, if the benefit provided under the Floor-Offset Plan is more than that provided under the defined contribution plan, the difference is provided under the Floor-Offset Plan.

Must the benefit provided under the Floor-Offset Plan be uniform for all participants?

The benefit under a Floor-Offset Plan is not required to be uniform for all participants; however, non-uniform benefits must pass non-discrimination testing each year. If the benefit is not uniform under the Floor-Offset Plan, the benefit provided under the defined contribution plan generally must be uniform.

What are the advantages of using a Floor-Offset Plan?

Some of the advantages of a Floor-Offset Plan include:

- A Floor-Offset Plan provides participants a guarantee that their retirement benefit will be at least equal to a certain level; and therefore, participants are protected against adverse investment experience, but stand to gain from favorable investment experience.
- A Floor-Offset Plan arrangement can be useful in companies where the owner(s) is older than other employees. Older owner(s) as compared to their employees enable the owner(s) to receive higher contributions as a percentage of pay versus what is required to be given to the employees.
- A Floor-Offset Plan has the potential to have lower administration costs than a defined benefit plan that is not a Floor-Offset Plan.

CBIZ Actuarial & Benefit Consultants
Phoenix, AZ 602.277.2371
San Jose, CA 408.794.3536
Denver, CO 303.790.0825
Houston, TX 713.871.1118