



Innovative

MYTH SERIES

**#9 WHEN
TRANSFERRING
SERVICE PROVIDERS,
THERE ARE
NO PITFALLS.
PART 1-
PROTECTED BENEFITS**



THE PROBLEM:

A new client engaged Innovative after they decided to transfer their current retirement plan to a new service provider. The client contacted us to assist in managing the RFP process and transition. After our detailed review of the plan and supporting documents, we found a significant number of participants with investments in individual annuity contracts with death benefit provisions. During the course of that review, we learned certain employees had contracts with death benefits that exceeded the value of their plan investments. If the client executed a transfer of these annuity contracts, participants would have lost those benefits – a violation of ERISA laws governing protecting benefits. Based on this information, we suggested the client alter their intentions during the RFP process.

THE SOLUTION:

We recommended that the client terminate their existing plan and start a new one (rather than simply transferring out of the old plan). The terminated participants could then rollover their individual annuity contracts to an IRA, preserving the earned death benefits. Terminating, rather than transferring a plan, is a more expensive option that creates added administrative burdens for the client, their TPA, and Innovative. However, it was the only solution to address the potential ERISA violation and protect the plan sponsor and their employees.

If your company is considering transferring your retirement plan, contact Innovative for a review of your current situation and advice on selecting a new plan.

FAST FACTS

- Not-for-profit employer
- 400 employees
- Provided RFP management services and transition to new provider

HOW WE HELPED THE CLIENT



Moved them to a new plan and consolidated a number of annuity platforms into one investment menu



Lowered the overall plan fees



Assisted participants with the transfer of assets from the terminated plan to the new plan or an IRA



Provided peace of mind through the new plan



Preserved their ERISA compliance



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