



# PLAN SPONSOR ACADEMY

## What Should You Do When Your Retirement Vendor Is Sold?



### Overview

The retirement plan industry is undergoing a wave of consolidation, with many 401(k) vendors merging with competitors or being acquired. Their pending merger may be in the best interest of the companies combining, but is their deal in your best interest?

As a plan sponsor, when your recordkeeper changes, you have a fiduciary obligation to research what is happening and how it affects both your organization and your participants. While this may be a good move for your plan, accepting an automatic conversion remains a fiduciary decision. Plan sponsors should initiate a process to determine whether the change is best for plan participants and beneficiaries, or if an alternative solution would be better. A plan sponsor also needs to document that decision. Your documentation should include a thorough review of the cost and benefits of any change.

## A few items to consider when faced to a change in providers:



### Investments

- What investment options will be available? Which share classes?
- How do these options align with the current investments in your plan?
- How is revenue sharing administered? How does that compare to your current arrangement?
- Are there restrictions on how money will be moved from the current plan? If so, how would that affect your employees and the administration of your plan?
- Does your current record keeper mandate the use of certain investments (such as proprietary fixed accounts, stable value funds, or target date funds)? If so, will the new record keeper mandate the use of any funds?



### Plan Design/Administration

Is the new record keeper capable of administering your current plan design efficiently? Not all vendors have the same capabilities. Make sure the firm has the sophistication and resources to manage your existing plan, particularly if your design is unique or complicated.

- As part of any change, have you considered alternate plan designs that may provide greater benefits to your organization, particularly your key employees?
- Do they send newly eligible participants all the required documents they need to sign up?
- Will they provide a single point of contact during conversion and throughout the term of the relationship?
- What is their process for documenting and approving hardship distributions?
- Do they offer an administrative fiduciary service under ERISA 3(16)?
- Within your organizational structure, you may have multiple companies that may or may not be legally affiliated with the plan. Make sure the new provider can handle the variations in multiple adopting employers you require -- particularly if you plan to acquire or divest additional companies.



### Communications

Effective communication processes are important for letting your employees know what is happening and why. The new vendor needs to provide financial education materials to the sponsor and plan participants.

- How does the new provider's website look?
- Will your employees receive the same information and resources they currently enjoy? If not, how will they react?
- How will the statements look? How are they different than your current ones, especially as it relates to how fees are shown?
- Can the new vendor provide an online portal for participants to request loans, distributions, and other paperwork?
- Can they produce and distribute all the annual notices and fund change notices that are required?
- Will the new vendor send the required platform change notices to all active, eligible, and terminated with a balance employees?

## Conclusion

If you had not previously considered the need for a broad review of a pending 401(k) vendor merger, think again. Remember that deciding not to do something is as much a fiduciary decision as seeking alternatives to pending changes. You need to be sure you can meet your fiduciary responsibilities after the transition.

To review your options, feel free to contact Innovative Benefit Planning. We have extensive experience guiding clients through these decisions. As a CEFEX certified advisor, our fiduciary processes have been vetted and confirmed as following the best industry practices.