TRANSAMERICA®

CHANGING RETIREMENT PLAN PROVIDERS DURING MARKET VOLATILITY

Changing retirement plan providers can lead to improved service and better options for participants and plan sponsors. But during times of market volatility, plan sponsors may be hesitant to make a move. Key questions include:

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If I change providers during a declining market, how will participant accounts be affected?

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What if the blackout period happens during a market recovery?

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How will participant accounts be affected by time out of the market?

> **If a plan transition is well-executed, market conditions should not be a factor. In fact, the sooner participants can take advantage of any available extra services to help them work toward brighter retirements, the better.**

"MAPPING" THE INVESTMENTS

Any change that alters the fundamental investment categories will likely impact investment performance, either positively or negatively. However, an investment mapping strategy can allow a retirement plan to move from one provider to another without appreciably changing participant investment allocations.

Investment mapping is widely used and can offer fiduciary protection if the assets are moved to reasonably similar investments — as long as certain requirements are met.

HERE'S HOW INVESTMENT MAPPING WORKS:

1. Existing retirement plan investment menu is categorized by asset class and style
2. "Like" investments are selected with the new provider (i.e. Large Cap Growth "A" in the old menu moves to Large Cap Growth "B" in the new menu)
3. New provider is given mapping instructions indicating where each current fund should be invested in the new menu
4. Current provider liquidates investments and sends assets to the new provider, along with the plan-level allocation report
5. New provider invests the assets into the mapped funds as instructed

ADDRESSING COMMON QUESTIONS

Q: If we change investments in a declining market, are we locking in losses?

A: Not necessarily. Like investments in the new menu should be priced at similar levels to those in the existing menu at any given time. For example, transferring assets from the S&P 500 Stock Index Fund with one provider to the S&P 500 Stock Index Fund with another provider should be a neutral transaction, especially in a qualified retirement account where there are no current tax implications. Minor differences in value may occur, however, because virtually all plan transfers require a brief period when assets are out of the market.

Q: If a fund in our current lineup has declined significantly more than the corresponding fund with the new provider, would it rebound faster than the corresponding fund as the market improves?

A: While both funds will likely go up as the market recovers, timing is impossible to predict. Funds that declined more or faster may (or may not) increase more or faster as markets improve. In fact, underperformance of the current fund may have been a direct result of the fund manager's investment decisions and philosophy — an excellent reason your plan might be better served by a replacement fund.

Q: Many of our participants are invested in target date funds (TDFs). Would the investment allocations in the new provider's TDFs match the ones in our current menu?

A: All TDFs are not the same. Some invest based on a target of retirement age and others a post-retirement date. This results in different glide paths — the track created as investments become more conservative as the target date gets closer. Talk to your investment advisor to make sure the new provider's TDFs align with those from the current provider. Otherwise, participant allocations may be different and their investment returns may be impacted.

Q: Since it takes time to transfer a plan between providers, we're concerned about assets missing out on any recovery while they're uninvested. How long will assets be out of the market?

A: Most plan providers can map assets into like investments quickly, so assets are typically out of the market for only a short time. Transamerica is committed to a 24-hour blackout from the time the vendor and client provide all records and assets are in good order. Here's what you can generally expect:[1]

- Transamerica requires a test file prior to the blackout start and a refresher file after the blackout begins.
- All participant and financial records required from either the plan sponsor or prior vendor must be delivered in good order within the stipulated time frame.
- Client and vendor must meet the agreed upon dates and deliverables as stipulated by Transamerica's transition manager.
- Excludes in-kind re-registration of plan assets.
- Excludes project delays/changes outside of Transamerica's control, i.e., client scope changes or client delays mid-conversion, delays in receiving test file, refresher files, or final participant records and plan assets.

Changing retirement plan providers can seem daunting, but it presents an opportunity to take a fresh look at the services you're receiving — even during volatile markets. An experienced partner can properly structure your plan conversion to help mitigate investment and fiduciary risks and guide you and your participants through challenging conditions.

Get in touch today:

CALL: 800-755-5801 **VISIT:** Transamerica.com

[1] The above description is provided as an overview of investment mapping and is not meant to be a comprehensive outline of this process. Generally, providers have certain requirements for mapping, and it is important that these procedures be followed in order to minimize any delays to processing.

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