Benefits
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What to Consider When Changing Your Plan's Trustee

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There are many reasons a plan sponsor may choose to change their trustee or record keeper. The plan sponsor may have gone through an acquisition and is preparing to merge plans to simplify administration. The investment committee may not be pleased with the fees or investment offerings available to participants. Or they may not be pleased with the service or reporting functionality offered. Whatever the reason for the change, it is important to have a transition strategy in place to ensure a smooth transfer of assets and data.

Define what you want out of the transition

- If the decision to change service providers is fee related, make sure you have a clear understanding of all plan and participant related fees to best compare the trustees you are considering. With the publication of the final regulations on fee disclosures, ERISA Section 408(b)(2), greater comparisons and benchmarking are available for review and analysis by the plan sponsor.
- Identify reports frequently used by payroll, human resources and finance. Ensure the new plan administrator has something similar available or discuss steps necessary to request the reports to be built.

Clear communication to plan participants

- A letter explaining the change should be drafted and sent timely to participants.
- This letter should include the old and new trustees' names, the date of the transition, information on the blackout period, and a mapping of old funds to new funds.

Updating plan documentation

- Make sure to update all references to the old trustee to refer to the new trustee in the Plan Document, Summary Plan Description, and other relevant documents.
- The administrative committee's meeting minutes should document the approval of the change in trustees. If the change is due to a plan merger the effective date of the merger should be documented as well.

> "Certain types of investments may incur a fee or have restrictions on redemption for certain periods of time."

Ensure the transfer of assets is accurate and documented

- Certain types of investments may incur a fee or have restrictions on redemption for certain periods of time. Without sufficient planning, these assets may cause a delay in a transfer or create excessive fees or penalties for participants. Review the investments thoroughly prior to the transition.
- Get IT involved in any process of software changeover, especially if there are automatic data feeds to or from the trustee. Some processes that may need to be tested or reviewed prior to implementation are the uploading of employee deferrals and demographic information maintained by human resources.
- A mapping file for the settlement of funds at the former trustee should be obtained and agreed to the assets deposited at the new trustee.
- Participant loans are administratively transferred differently than investments and a separate schedule should be obtained by participants, including the anticipated payoff date, for comparison before and after the transfer with documentation of any adjustments.
- If the plan is subject to an audit requirement, consider involving your accountants and obtaining all files that will be required for the audit. The plan sponsor may lose access to that information after a period of time.

Developing a comprehensive process early will result in a more seamless transition that will enable the administration of the plan to continue without any major issues. The plan should also leverage service providers as a resource during this change.

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