

Benefit Plan Mergers

Plan Process Summary

The professionals on your Schwab service team are experienced in benefit plan mergers. We are ready to help you from the very beginning as you consider a merger or acquisition.

An opportunity for planning

Integrating retirement benefit plans of two or more organizations can be very complex. Success begins with understanding the details involved, complying with regulations and building a better benefits program for the entire organization.

Allowing sufficient time and involving the right people can reduce the amount of work imposed and reduce surprises, including unforeseen costs and liabilities throughout the process. It is important that decisions concerning whether and how the plans will be integrated are made prior to any acquisition closing, since after a plan has been acquired or left with a predecessor, certain options may no longer be available.

Evaluating plan integration

The decision to integrate retirement plans requires careful evaluation, including:

- **A due diligence review** of the plan(s) covering the acquired employees, which may uncover any compliance issues, funding requirements, disqualifying events or operational defects that could become the responsibility of your organization.
- **A plan document review**, which identifies and evaluates plan differences, alternative provisions, protected benefits, and opportunities for enhancements.
- **A complete cost analysis.** While it may be expedient to have the acquired organization terminate the plan prior to closing, acquiring new employees with no transferred plan balances may alter the economics of plan administration. Conversely, maintaining separate plans may be economically viable if merging them is not possible.
- **An investment review** of the acquired plan to consider mapping of investments to existing options in the surviving plan, expansion of those options, liquidity issues and exit fees that may apply (most notably with stable value and GIC options), and a review of any self-directed brokerage accounts to determine the suitability of assets.
- **The impact on participants**, such as informing them of all changes to the plan(s), service enhancements and any blackout periods that may apply if the plans are merged. Alternatively, should the target plan be terminated, the participants may have a reduced ability to accumulate sufficient retirement assets by electing an immediate distribution, incur significant current tax implications, or have limited access to funds pending final IRS determination (e.g., penalties associated with early withdrawal and outstanding loans that become taxable if not paid in full).

Implementation

Involving Schwab early in the process can help as you make your decision to merge or terminate a plan. We can help analyze the options available and streamline the implementation of plan integration should you decide to merge.

Once your organization decides to merge the target plan, the following activities will occur:

- Your Client Service Manager and Conversion Manager will work with you to establish **a timeline** for the merger.
- Your Client Service Manager will review any changes to **the current cost structure** of the plan, as well as any costs associated with the merger. This process includes working with Schwab's Retirement Investment Services group and your Schwab Conversion Manager to establish a fund mapping strategy and a complete detailed asset review.
- Schwab will provide **a checklist of items** that you will need (prior Form 5500s, discrimination tests, plan documents, etc.) and will work with your payroll team, the prior trustee and the recordkeeper to ensure a smooth and efficient transition.
- Schwab will perform **a final review** and create necessary documents, merger amendments, corporate resolutions and service agreements, including outside counsel if appropriate. This review will recognize and incorporate any plan design changes or enhancements. The acquisition is an opportunity to review your entire benefit structure.
- Together, you and your Client Service Manager will develop **a communication strategy** for employees, providing information on important plan changes, a Sarbanes-Oxley notice regarding any blackout period and any necessary action items or restrictions that may affect participants during the merger.

Schwab can help

To learn more about successfully integrating retirement plans, please contact your Schwab Representative today.

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