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## Cooperative Mergers and Acquisitions

If your cooperative is currently, or expecting to be, part of a merger or acquisition, there are many things to consider. When going through this complex process, you will need to make decisions about items such as staffing, location(s), financials and branding. One topic that may not be a top priority — but should be — is what to do with the retirement plan each cooperative offers their employees. Not discussing your options in regard to your retirement plans can lead to unintended consequences. This is where the consultants at Milliman can help.

Milliman's consultants can help mitigate some of the regulatory issues that may arise from these types of business transactions.

One of the first things for consideration is the deadline surrounding the merger and/or acquisition. For example, the qualified retirement plans sponsored by the cooperatives involved in the business transaction must be able to pass coverage testing as of the day before the business transaction and there must not be any significant change in coverage or significant reduction in the benefits provided.

When two or more companies come together through a merger or acquisition, it may result in a mixed bag of retirement benefits and plan provisions. The cooperative plans may have different plan features, including: eligibility,

vesting, investment options and employer contributions. Milliman can help complete an analysis and review of the plan documents, features and procedures and help answer the following:

### Are there any compliance issues?

If one of the plans involved has any type of compliance issue, this could result in significant problems down the road if not handled properly. Unfortunately, compliance issues don't simply go away due to a merger or acquisition. By not addressing them, any compliance issue could compound and result in financial penalties.

### How are the plans performing?

When comparing plans, it is important to look at their demographics. Are the plans being utilized by the employees? Are participants taking full advantage of any applicable employer match contribution? Does either plan offer loans or hardship withdrawals? By answering questions such as these, companies can get a better understanding of exactly how each plan is performing and how to improve the overall performance of the retirement program.

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Co-op **401k** Plan   
AMERICA'S LEADING 401(k) PROGRAM FOR COOPERATIVES

## What are the options for ongoing plan design?

This may be a good time to reevaluate what plan design options are available to the sponsor for the plan that will be continuing. This could include amending the eligibility to allow employees to enter the plan earlier, changing the vesting schedule or enhancing the employer matching contribution. Or, the plan could add features such as automatic enrollment or automatic increase. Your Milliman consultant will assist in identifying the goals of the plan and the demographics of the participants to determine the best plan design for the new entity.

## How do we communicate changes?

Once plan design decisions have been made, your consultant will work with you to establish the best strategy to communicate any changes to your participants. If the changes to the plan are complex, a communication campaign, including flyers and education meetings conducted by Milliman, may be necessary. However, if the changes are minimal, they may be effectively summarized within a written notice.

Other notices may be required, such as a Safe Harbor notice or a Participant 404(a)5 notice. If changes will result in the suspension of participants' or beneficiaries' rights to diversify or direct investments or to obtain a loan or distribution for three or more consecutive business days, a blackout notice must be provided. Milliman can help produce and fulfill these required notices.

## Is there fiduciary protection?

Sponsoring a retirement plan makes you a Fiduciary. However, there are ways for a sponsor to share in that responsibility with other providers. For example, when sponsoring a plan through the Co-op 401(k) Plan, sponsors can mitigate their fiduciary risk.

The Co-op 401(k) Plan has a Plan Fiduciary Board of Directors. This Board is comprised of 10 members representing nearly 320 cooperatives across the nation.

The Board selects and monitors the Plan's advisors, including the recordkeeper, investment advisor and legal counsel. In consultation with its advisors, the Board oversees approval of the master document provisions, selection of the investment funds offered under the Plan and makes decisions regarding other issues affecting the Plan as a whole.

## What is the fee structure?

Like everything else, maintaining a retirement plan costs money. When reviewing fee structures, it is important to review what services are included in the fees and what investment options are offered.

The Co-op 401(k) Plan has a flat fee approach that includes the administration of the plan, regulatory filings and participant communications.

When going through a merger or acquisition, consider contacting the professionals at Milliman as soon as possible for assistance evaluating retirement benefits for the cooperatives involved. Our experienced professionals are available to help you objectively compare plan features, services, and costs. There are a lot of complex decisions to make when a merger or acquisition occurs. What to do with the retirement benefits doesn't have to be one of them.

At Milliman, we listen closely to each cooperative's goals to provide stability and perspective during transitions. Our consultants will partner with you to develop the critical strategy that establishes your direction, deliver a smooth implementation, and effectively communicate with your employees about the changes.

If you are going through a business transaction, or thinking about it, please contact your Relationship Manager, or call 800.652.6675, option 2.

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