

Financial and fiduciary capabilities from *design to implementation*

The Vierra Group

Financial and fiduciary capabilities from design through implementation.

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Client

Major consumer goods container manufacturer

What

401(k) plan consolidation and investment menu redesign

When

September, 2010

Executive summary

After a merger in summer 2010, a leading manufacturer of consumer product containers, asked The Vierra Group to lead the consolidation of the two companies' primary 401(k) plans into a single 401(k) that would be accessible to employees spread among 75 facilities in 27 states.

The Vierra Group conducted an accelerated record-keeper search and in the process of its due diligence, determined the emerging plan's investment menu should be more diversified and should enforce the record-keeper's contractual obligation to provide investment education to plan participants.

The Vierra Group's prior relationship with the client

In November of 2008 the client had retained The Vierra Group to manage the investments of its pension plan. The Vierra Group performed as an ERISA 3(21) fiduciary. Despite a very volatile market period, The Vierra Group was able to achieve better-than-market returns for plan beneficiaries, with approximately a third of the risk. It also was able to save the client 0.1% on advisor/consultant fees.

The new challenge

Up until the merger, the client had administered two 401(k) plans—one for union employees, totaling \$9m in participant assets, and one for non-union employees, totaling \$116m. Both were administered and record-kept by a major provider, and featured the provider's proprietary funds.

The newly acquired company brought to the merger one 401(k) plan, administered and record-kept by another major provider. The plan's total assets approximated \$50 million.

The Vierra Group was charged with consolidating the newly acquired 401(k) plan with the client's non-union 401(k) plan and with conducting a plan record-keeper search within two weeks, one third the usual time.

Repopulated menus significantly reduced correlation, affording participants greater opportunity for true diversity.

The solution

The Vierra Group recommended a field of three finalists for consideration by the client's investment committee. One of those candidates was the client's current record-keeper and ultimately, the manufacturer chose to remain with this vendor, albeit at a more favorably negotiated rate.

Though the record-keeper remained the same, the sponsor elected to make many other, very significant, enhancements.

A smaller yet more diverse plan menu

The client's original plans each offered the same 17 funds, 15 of which were proprietary. While the number of alternatives was seemingly healthy, The Vierra Group determined there were high correlations among many of the funds, reducing employees' effective range of choices and possibly jeopardizing compliance with ERISA investment diversity requirements. Moreover, no fewer than 11 of the record-keeper's 15 proprietary funds were triggering alerts against The Vierra Group performance, risk and other monitors.

The Vierra Group drew on UBS's expertise in open-architecture investment platforms to access a wide universe of ERISA-compliant investment candidates. Ultimately, the plan's Investment Committee chose to offer 14 funds in both portfolios, but the repopulated menus significantly reduced correlation, affording participants greater opportunity for true diversity. Only one of the record-keeper's proprietary funds was retained.

A substantive commitment to participant education

Whereas the record-keeper did not deliver on its 10 contractually promised education days in administering the old 401(k)s, The Vierra Group negotiated 20 education days for the consolidated 401(k) plan, with no additional cost.

The record-keeper also agreed to provide two webcast presentations per sponsor location per year. Again, at no additional cost.

UBS Financial's vast network of offices is providing 140 investment centers in support of the manufacturer's employee locations.

A renegotiated fee

The Vierra Group negotiated the record-keeper's annual services fee down by almost 18%.

Conclusion

The Vierra Group provided complete fiduciary services in establishing a consolidated 401(k) plan that represented an aggregated \$166m in assets, retained the former record-keeper, met ERISA requirements for both investment diversity and plan participant education, and also provided educational resources for both the sponsor and its representatives. It also improved upon the prior plan's charter and investment policy statement, and established a formal educational policy statement as well.