Preparing for a plan conversion
due to merger or acquisition
Seeing your defined contribution plan and participants through the implications of a corporate merger or acquisition is an important task. There are a lot of decisions to make and details to manage, and of course, time is of the essence.

We created this guide to help you navigate through the plan conversion process—from due diligence and early analysis to the actual steps of preparing for the transition of your new plan(s) and/or participants to T. Rowe Price. It offers valuable information about your options and what you can expect. Plus, it includes helpful checklists and suggestions for making the transition as smooth as possible for everyone. Take some time to read the guide carefully, and feel free to contact your T. Rowe Price representative if you have questions. Note: These are complex decisions, and of course, every situation is different. Before you take action, please consult with your independent legal counsel.
Preparing for an upcoming plan conversion due to merger or acquisition

**YOU ARE IN GOOD HANDS WITH T. ROWE PRICE**

At T. Rowe Price, numerous new plan conversions result from corporate merger and acquisition activity. Because we have so much experience facilitating the conversion of defined contribution plans to our firm, we created a streamlined process, which is flexible enough to handle even the most time-sensitive situations.

Throughout the conversion process, we adhere strictly to our code of ethics to keep information confidential. Sensitive information remains only with those who are involved in the conversion project.

**THREE-MONTH LEAD TIME IS IDEAL**

Generally, plan conversions to T. Rowe Price require approximately three months to complete. This time is necessary for internal teams to prepare for the timely and accurate transfer of assets and records, as well as to develop effective communications for existing and newly acquired employees. However, we realize some situations are unavoidable—you may not hear of a pending merger or acquisition at your organization until late in the game. In these situations, T. Rowe Price will work with you to accelerate the schedule and seek alternative solutions.
COMPLYING WITH THE CURRENT LAWS

Frequently, as part of the conversion process, it will be necessary to suspend participant account activity for a short period of time. This is referred to as a blackout period. During this blackout period, participants will not be able to make transactions within their retirement accounts. If the blackout period is more than three consecutive business days, sponsors are required to give participants a Sarbanes-Oxley notice at least 30 days in advance of the initial blackout event. This notice contains information and deadlines the participants should be aware of if they want to take action before the blackout period begins.

Additional participant notices may be required if the plan sponsor decides to institute a default investment or enrollment provision at the time of the conversion to the new plan. These notices give the participant time to make active investment elections prior to the blackout period and/or the deadline for the investment or enrollment default. The sooner you contact your T. Rowe Price representative about a plan conversion, the more we can assist you with your fiduciary responsibility of notifying your participants in a timely manner.
Time line for change

This time line illustrates the types of activities that must occur simultaneously—with all parties—during a typical plan conversion to T. Rowe Price. With so many steps in the process, it is easy to understand why it is important to get started as soon as possible.

<table>
<thead>
<tr>
<th>MONTH 1</th>
<th>MONTH 2</th>
<th>MONTH 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td><strong>Communications</strong></td>
<td><strong>Compliance</strong></td>
</tr>
</tbody>
</table>
| • Contact your T. Rowe Price representative  
  • Contact all applicable service providers  
  • Select investment options  
  • Begin premerger/acquisition analysis  
  • Complete due diligence  
  • Consider plan design changes  
  • Designate a plan conversion team  
  • Approve plan features | • Sign off on communications strategy  
  • Approve detailed conversion materials | • Provide plan document for acquired company's plan  
  • Provide detailed nondiscrimination testing results of acquired company's plan  
  • Provide prior 5500 filing of acquired company's plan | | • Review ongoing new hire plan information kit  
  • Review/approve employee meeting presentation | • Approve ongoing new hire plan information kit  
  • Finalize legal documents  
  • Hold employee meetings |
| **T. ROWE PRICE** | **Operations** | **Communications** | **Compliance** |
| • Notify service teams of change  
  • Hold conference calls with teams and plan sponsors | • Create and present communications strategy  
  • Produce and review communications  
  • Distribute high-level announcement of conversion | • Plan document comparison/protected benefits review | • Develop plan conversion procedures  
  • Test processes | • Distribute detailed print and electronic conversion communication materials  
  • Customize conversion tab on Web site | | • Prepare drafts of necessary amendments (if using Accudraft prototype) |
THE FIRST STEPS ARE THE MOST CRITICAL

Remember, a plan conversion of this nature can be extremely complex. Often, it will take more time than you think. That is why it is important to take the following steps as soon as you are informed of a pending corporate merger or acquisition:

1. **Begin working with your ERISA counsel and notify T. Rowe Price.** We can assist you with due diligence requirements and help you through your premerger analysis of the acquired plan.

2. **Identify key contacts and internal support.** Take time to appoint individuals at your organization who can help you with plan conversion details and decisions. In most cases, you will want to include representatives from Human Resources/Benefits (from both companies), Payroll, Information Systems and Technology, Finance/Treasury, and Legal.

3. **Act quickly to involve all plan service providers in the process.** Key contacts will also include other recordkeepers, trustees, investment management firms, etc. This is important because:

   - Most companies have a notification requirement (for example, 60 or 90 days) for contract termination.
   - There may be investment issues to work through. For instance, a stable value fund manager may require a 12-month put, and some guaranteed funds can have complex termination requirements. (See page 10 for more details.)
   - It is good practice that all parties perform due diligence, which could result in changes to the trust agreement, plan document, or other contracts.
   - Timing issues often impact the development of plan conversion procedures and communication materials as well as the scheduling of employee meetings.

T. Rowe Price will schedule a special plan conversion meeting or conference call where both your team and our team discuss your particular situation in detail. This important work session generally occurs early in the process, after which you can expect from T. Rowe Price a schedule of key dates and deliverables with clear explanations of roles and responsibilities.
Understand your options for acquiring defined contribution plans

News of a pending corporate merger or acquisition is sometimes confidential until the last minute. Often the decisions regarding current benefit plans are kept behind closed doors. You may have input as to the best retirement benefits solution for your organization. The following section can help you prepare for such discussions. There are generally three alternative scenarios for acquiring companies (buyers):

- Merge an existing plan into the buyer’s plan
- Maintain two separate plans: the seller’s and the buyer’s plans
- Have acquired employees take distributions from the seller’s plan (terminate seller’s plan)

It is helpful to determine your course of action before the company transaction is closed, as some alternatives may be eliminated once the closing has taken place. Also, the option chosen may be affected by whether the company transaction is an asset sale or stock sale (see Glossary on page 20 for definitions of each). Be sure to discuss this with legal counsel.

**SCENARIO 1: MERGE AN EXISTING PLAN INTO THE BUYER’S PLAN**

**CONSIDERATIONS**

- **Understand the corporate philosophy.** Example: Are there similar benefits for all employees?

- **Confirm if commitments have been made to employees.** Example: Your organization will maintain features of the existing plan in your plan.

- **Determine if there are plan qualification issues.** Example: Transferring assets from disqualified plans could disqualify the buyer’s plan. If there are any qualification issues, be sure they are corrected prior to the merger. (There are programs available from the IRS for correcting qualification defects. Talk to your legal counsel for details.)

- **Compare features of the plans, such as:**
  - Eligibility
  - Auto-enrollment feature
  - Contributions (for example, amount, frequency, and allocation)
  - Withdrawal and loan provisions
  - Payment options (for example, timing and form, especially annuities)
  - Vesting
  - Investments
  - Valuation frequency
  - Ease of integrating assets (for example, does one plan offer unique investments, such as real estate or “illiquid” assets?)
  - Forfeitures
  - Retirement dates
  - Types of rollovers accepted
Compare different contribution sources and vesting schedules offered in the plans. Example: Can the contribution sources (e.g., money purchase assets, and after-tax contributions) be merged with existing sources, or will they need to be maintained separately? Do you need to maintain different vesting schedules?

Review coverage rules. Example: Each plan must meet one of the following tests:
- Ratio-percentage test (percentage of non-highly compensated employees benefiting under the plan is at least 70% of the percentage of highly compensated employees)
- Average benefits test
- Benefits rights and features

Other considerations.
- Aggregation of plans for coverage testing purposes
- Coverage transition rule
- Exceptions for qualified separate lines of business—these could be tested separately

Consider the impact of 401(k) and 401(m) testing for merging plans.
- Could a merger cause either plan to fail a test?
- How might the merger impact the contribution limits of your highly compensated employees?
- If the plan fails the test, are there substantial costs to correct the situation?

Determine if there are protected benefits. Example: in-kind distribution options that must be preserved. In general, timing and payment forms for certain accrued benefits must be protected.

Determine how investments will be mapped.
- Default funds
- Like-fund conversion
- Automatic investment

AUTO-INVESTMENT STREAMLINES PLAN CONVERSIONS

How it works. Instead of mapping each fund, the conversion process can simply transfer balances and current contributions to a qualified default investment alternative (QDIA). Participants, of course, can be allowed to make affirmative elections into any of the plan’s other investment options before and after the conversion process.

Helpful to plan sponsors. The investment options offered in the retirement plans of different companies can vary widely, making “like-fund mapping” a complex and time-consuming process. With an auto-investment strategy, plan sponsors have a more streamlined method to convert plans of newly acquired companies.

Helpful to participants. At conversion, auto-investment in a default fund such as a target-date fund could allow inexperienced investors or those with too little time to monitor their investments to make a fresh start with a diversified, professionally managed portfolio. Many plans choose target-date funds for their default investment since they invest in a mix of stocks, bonds, and short-term investments that gradually become more conservative as the target retirement date nears.
SCENARIO 2: ADOPT AND MAINTAIN THE SELLER’S PLAN IN ADDITION TO THE BUYER’S PLAN

In addition to the relevant points covered in Scenario 1, consider the following:

☐ Confirm if commitments were made to retain the seller’s retirement plans.

SCENARIO 3: HAVE ACQUIRED EMPLOYEES TAKE DISTRIBUTIONS FROM THE SELLER’S PLAN

CONSIDERATIONS

☐ Know the situations that make this scenario desirable.
  • There are potential qualification issues with the seller’s plan
  • The seller’s plan contains protected benefits that are undesirable in the buyer’s plan
  • There is an employee relations decision to permit distributions

☐ Understand the rules regarding distributions from 401(k) plans. Elective deferral accounts may only be distributed upon the following special, distributable events:
  • Death, disability, or severance from employment.
  • Attaining age 59½ or experiencing a financial hardship.
  • Plan termination.*

  A 401(k) plan distribution may **not** be made after a plan termination if the employer (at the plan termination date) establishes a successor plan:
  • Any defined contribution plan (other than ESOP or SEP) of the same employer, or
  • Any defined contribution plan that existed at the time of plan termination or within 12 months after distribution of assets.

  You do not have to worry about a successor plan if less than 2% of employees who were eligible under the terminating plan are eligible under the other plan during the 24-month period starting 12 months before the termination.

  If a severance of employment has not occurred for the seller’s employees, the termination date of the seller’s plan must be established before the company-level transaction is closed, or plans maintained by the buyer will be taken into account to determine if there is a successor plan.

  • Distribution options do not need to be protected in a plan that receives a rollover of distributed benefits.

☐ Know the roadblocks of accepting rollover contributions. Accepting rollover contributions could be a viable option for the buyer. A consideration to note is that the recipient plan is not “tainted” by accepting rollovers from a disqualified plan if the recipient reasonably concludes, when accepting the rollovers, that the distributing plan was qualified.

☐ Determine if service will be credited for eligibility and vesting purposes for the acquired employees.

☐ Consider treatment of existing loans.
  • Loan would remain with selling plan (if the plan is not terminating)
  • Transfer loans from selling plan

*Assuming that the merger and/or acquisition is for the entire company.
Begin your premerger/acquisition analysis

An essential first step for acquiring companies is completing extensive due diligence regarding the seller’s plan(s). The following pages will help you get an idea of the types of information you will need to know and/or collect in order to determine potential liabilities and to assess future benefits arrangements.

As you will see, there are a lot of areas to cover. The following is a checklist with key considerations and information to help you track your progress and stay organized. This is not necessarily a complete list. While you review these and other considerations, you may want to confer with your legal counsel. You may also contact your T. Rowe Price representative if you have questions or need help with due diligence matters.

DUE DILIGENCE AND INFORMATION GATHERING CHECKLIST

1. **Review current plan design.**
   A conversion is a great time to evaluate your existing plan and consider whether best practice design changes would help make your plan more effective for employees. For instance, you can review the provisions of the PPA and consider adding services and making investment changes that can help your participants prepare for a more secure retirement. (See sidebar on page 11.)

2. **Gather all necessary plan documents.**
   See document checklist section on page 12.

3. **Review current employee data.**
   - Employees eligible for the plan(s)
   - Active participants
   - Terminated or retired participants
   - Employees ineligible for the plan(s)

4. **Evaluate current contribution types.**
   - Employer contributions
     - Matching contributions
     - Other profit sharing or stock bonus plan contributions
     - Money purchase pension contributions
     - Leveraged ESOP obligations
     - Other: _____________________

   - Accrued but unpaid contributions
     - Profit sharing/matching contributions
     - Money purchase pension plans
       - Compliance with minimum funding rules
       - IRS funding waivers granted or requested

   - Participant contributions
     - Before tax
     - After tax
     - Roth 401(k)
     - Rollovers
     - Catch-up
     - Other: _____________________
5 Consider plan investments.

• Compare current investment lineup with new investment offerings
  • Obtain offering circulars, prospectuses, contracts, insurance policies, tickers, and CUSIPS
  • Verify status of investments (open or closed, liquid or illiquid)
  • Determine if any investments have restrictions that would prevent them from being in the new lineup

• Consider investments from a fiduciary perspective
  • Employer stocks, if applicable:
    • Are there any stock diversification issues?
    • Is stock currently maintained in shares or units?
    • Are there ramifications for the buyer’s investment policy?
    • What about the disposition of the seller’s company stock (timing, manner)?
    • Are there officer trading restrictions or requirements?
    • Trusteeship of stock?
  • Compare buyer’s investment policy with that of the seller’s plan
  • Investments with termination fees or penalties (for example, guaranteed investment contracts, annuities)
  • Real estate investment trusts (REITs)
  • Illiquid investments
  • Termination notification requirements (for example, disposition of stable value)
  • Redemption fees
  • Sales charges

• Compare fiduciary exposure for different conversion strategies
  • Automatic investment with default investments such as target-date funds (see page 7 sidebar and frequently asked questions (FAQs) on page 16)
  • Like-fund mapping

• Review ramifications for buyer’s investment policy

• Consider disposition of stable value and company stock (timing, manner)

6 Understand plan compliance with Internal Revenue Code and ERISA. For example:

• Be in compliance with both plan documents and plan operation (for example, if the loan provision in your plan document allows one loan to be outstanding, you cannot allow a participant in the seller’s plan to take two loans)
• Gather copies of discrimination tests to determine compliance with:
  • 401(k) and 401(m)
  • Annual additions (415)
  • Top-heavy
  • Coverage
• Determine if contributions are limited due to prior year test results

7 Check information systems/processing of plan data. For example:

• Payroll systems (Will there be a separate payroll feed, or will the acquiring company be merged into the existing system?)
• Data transmission capabilities
• Administrative fee implications
Sound Practices for PPA Implementation

The PPA and ensuing Department of Labor (DOL)/IRS guidance include several provisions designed to bolster the effectiveness of 401(k) plans by providing additional (but limited) fiduciary protection for sponsors to act in participants’ best interests when they fail to take action. If you haven’t already made changes to your plan based on these new provisions, here is your opportunity to consider the following changes:

☐ Add automatic investment
Target-date fund products, including the T. Rowe Price Retirement Funds, offer participants one-step, preselected, and diversified portfolios. The funds’ allocations are geared toward target dates (assuming a retirement age of 65) and automatically adjust over time to become more conservative as their target dates near. Participants choose one—and their decision is done.

☐ Add automatic enrollment to the new plan and make it retroactive
This service automatically enrolls eligible employees into your organization’s retirement plan unless they give specific instructions to be excluded (opt out) during a specified grace period. Participants are enrolled with a default deferral percent and investment allocation. An auto-reenrollment feature gives plan sponsors a way to encourage employees who have previously opted out of the plan to save for retirement—automatically.

☐ Implement the automatic increase service using the opt-out feature
Auto-increase helps keep plan participants’ contributions growing, with automatic annual contribution rate increases to help them save more over time. This service is available as an opt-in or opt-out plan option.

For more information about the effectiveness of these services, ask your representative for a copy of our thought-leadership paper on best practice considerations for implementing the PPA.

Look at loan provisions.
- Common problems include missing data, missing loan documents, number of loans allowed, and amortization schedule differences

Fees.
- Any outstanding fees due to current service providers

Look at loan provisions.
- Common problems include missing data, missing loan documents, number of loans allowed, and amortization schedule differences

Fees.
- Any outstanding fees due to current service providers
Documents checklist

Documents you should have on hand for the conversion meeting:

☐ Plan documents and amendments (including related collective bargaining agreements)

☐ Service/recordkeeping agreements

☐ Trust agreements

☐ Investment documents
  ☐ Investment management agreements
  ☐ Investment policy statement
  ☐ Insurance contracts
  ☐ Loan policy
  ☐ Trust agreements for collective trusts
  ☐ Other contracts related to investments

☐ Summary plan description (SPD)
  ☐ Summary of material modifications (SMMs)

☐ IRS determination letter (or opinion letter if prototype plan) and submission materials

☐ Most recently filed Forms 5500

☐ Most recent trustee/financial report

☐ Employee census information

☐ Written notice of pending IRS or DOL audits

☐ Qualified Domestic Relations Order (QDRO) proceedings or documents

☐ Any Voluntary Correction Program (VCR) or similar IRS filings

☐ Any Voluntary Fiduciary Correction Program (VFC) or similar DOL filings

☐ Most recently completed discrimination testing results
Complete your communications strategy

Presenting news of a plan conversion and subsequent information in a timely and proactive manner is an important part of the plan’s conversion success. Plus, if your conversion includes an automatic investment strategy, timing your communications to meet the PPA notice requirements is critical. (See sidebar on page 15 for more details.)

Your T. Rowe Price communications consultant will work with you to develop a strategy that leverages a multi-channel approach for communicating these important changes to employees. Depending on your situation, we will use one or more of these effective communication channels: electronic messages, print materials, and employee meetings. Together, we will establish the goals of the plan for the conversion. By developing a sound conversion communication plan, you and your communications consultant will build a solid foundation for future employee communications.

Here is a sampling of the types of materials T. Rowe Price can provide for your review and approval during a merger or acquisition conversion to T. Rowe Price:

**ANNOUNCEMENT OF THE CONVERSION**

Often, a high-level communication will be distributed to let employees know that a change is coming and introduce new employees to T. Rowe Price. It is:

- distributed to all plan participants (active and terminated) and all eligible participants (not yet participating) via mail or e-mail, and it can be posted on your intranet
- slated to mail 10 to 12 weeks prior to the conversion

**DETAILED CONVERSION COMMUNICATION**

To follow up on the initial announcement, a detailed communication about the conversion will be distributed. The conversion communication will:

- include blackout dates, investment conversion information, employee meeting dates, open election window time frames (if applicable), when to expect personal identification numbers (PINs) for accessing the Plan Account Line (PAL), and when the myRetirementPlan Web site will be up and running
- include important features and benefits of the plan
- include any legally required notices
- mail six to eight weeks prior to the blackout
A CONVERSION TAB
During the conversion period, and for 60 days thereafter, a conversion tab will be posted on the myRetirementPlan Web site. The information contained on the Web will mirror the information included in the detailed conversion communication.

REMEMBER: If the conversion requires a blackout period of more than three consecutive business days, participants must receive a blackout notice at least 30 days before the blackout begins. T. Rowe Price will work with you to prepare the blackout notice, however you will be responsible for approving the blackout notice, if one is necessary. (Failure to comply could result in a penalty of $100 per day, per participant.)

EMPLOYEE MEETINGS
To help prepare employees for plan changes, employee meetings may be available. During the meetings, T. Rowe Price representatives will present changes and answer investment-related questions for employees. You may also want to have a Human Resources representative available to field plan-related questions. Depending on the need, meetings can occur at your site location, or an online Webinar can be arranged for added convenience.

ONGOING NEW HIRE PLAN INFORMATION KIT
- Plan information kits may contain details regarding the features of the plan, including eligibility, enrollment, contribution information (employee and employer), automatic services available, and investment option lineup
- All information found in kits is also available on the myRetirementPlan Web site
- Kits are available to new hires once the conversion is complete

Keep in mind that printing, production, and mailing all require time. Please allow up to six weeks for printing, production, and mailing during conversion.
CONVERSION COMPLETE NOTICE
When all assets have posted and full access to all services is available, a “conversion complete” notice is distributed to participants. Notices are available as e-mails, intranet postings, and pop-up boxes on the myRetirementPlan Web site.

SPECIAL CORRESPONDENCE
If you have a unique situation that requires a more personalized touch, we have additional resources you can tap into, and your communications consultant can work with you to develop customized solutions. T. Rowe Price also offers a variety of information kits, guides, and newsletter articles. Your communications consultant can help you identify materials to meet your needs.

IMPORTANT NOTICE OF QDIA REQUIREMENT
The PPA clearly supports the use of a default investment strategy for plan conversions as long as the investment meets the Qualified Default Investment Alternative requirements. Prior to conversion, plan sponsors are required to provide participants an initial notice describing the default investment and how to opt out of it. T. Rowe Price typically provides a two-week open window period to allow participants to opt out of the default investment prior to the blackout. If no election is made, then the contributions are invested according to the default provisions of the plan.
Frequently asked questions

Undoubtedly, you have questions about your upcoming plan conversion. To provide a general overview of what happens when, we compiled some common questions about plan conversions that occur as a result of a merger or acquisition. Please review this section now and note any additional thoughts you may have. During your plan conversion meeting or conference call, your T. Rowe Price representative will explain the process in detail and address your specific questions.

**CONVERSION TIMING**

**Why can a conversion to T. Rowe Price take months to complete?**

There are many steps that are required to complete a plan conversion. Some steps occur in sequence while others happen simultaneously. Plus, you can expect multiple people to be involved in the process. In order to ensure a smooth transition, this time is essential for proper planning from an administrative, compliance, and communication standpoint.

The timeline on page 4 can put the process into perspective as it illustrates the activities that occur during a typical plan conversion. It is also important to note that this is an estimate based on past experience. Other factors include the requirements for the prior recordkeeper, data testing results, length of blackout period, and resolution of outstanding issues.

**What information does T. Rowe Price need up front?**

Once you notify us of any corporate activity at your organization that will affect your retirement plan, you should provide the following information:

- Key contacts for your organization as well as for your current service providers.
- A list of any plan design changes you intend to make. To move forward with plan conversion and communications planning, any plan feature (for example, a new company match formula) or investment change should be determined well in advance.

**What is a blackout period?**

A blackout period is the time it takes to move account records and balances from the prior recordkeeper to T. Rowe Price. During this period, participants cannot make certain transactions, including loans, withdrawals, or investment changes. From T. Rowe Price’s perspective, the typical blackout period lasts five business days after we have received data in good order. However, the prior recordkeeper may also impose a blackout period on their end prior to transferring records to T. Rowe Price in order to allow sufficient time to complete the final valuation. As a result, a blackout period generally lasts 10 business days on average for a daily valued plan; however, its duration depends on such factors as the current valuation frequency and if the records are balanced.

If the blackout period is expected to last for more than three consecutive business days, sponsors are required to notify participants of the blackout period at least 30 days before it starts. This notification is required by law, and failure to comply could result in a fine of $100 per day, per participant.
What is a weekend conversion?
If certain conditions are met, a daily valued plan may be able to use a weekend conversion to shorten the blackout period.

• The prior recordkeeper must do the plan valuation on a Thursday
• T. Rowe Price must receive assets and records on Friday
• T. Rowe Price must receive a test conversion file from the prior recordkeeper
• The live file must be in the same format as the test file
• The sponsor and the prior recordkeeper must be on call over the weekend
• A separate electronic feed is required for loan records and must be received after the last loan activity is posted at the prior recordkeeper

Will participants have to reenroll in the plan once the transition is complete?
If deferral elections are mapped then there is no need for participants to reenroll. Mapping deferral elections is a T. Rowe Price best practice consideration because it eliminates the need for the participant to make an active election.

If deferrals are mapped, then the investment elections for future contributions should have a similar strategy to the conversion balances: (1) use the auto-investment default strategy with the T. Rowe Price Retirement Funds or another QDIA, or (2) map future mix allocations (and balances) to like funds with similar investment objectives.

INVESTMENTS
How quickly do we need to determine our investment options?
To keep your plan conversion on schedule, T. Rowe Price needs to have your final investment selections within the first few weeks of conversion planning.

Could issues arise from having illiquid or “unique” investments?
Yes. For example, stable value investments may require that assets remain with the current manager for several months after notification that investment management services will be terminated. Other examples include real estate investments or limited partnerships, which generally have mandatory holding periods and infrequent valuations.

Must plan assets convert at the same time that contributions begin in the acquiring plan?
No, often the plan conversion closing date occurs quickly, and in some instances new contributions begin before the prior plan balances can be transitioned. In this case, it may be necessary to send some of the loan repayments to the prior recordkeeper and new contributions to T. Rowe Price.
What is an automatic investment strategy?
An automatic investment strategy offers an alternative to like-fund mapping. It helps streamline the conversion process, while also providing potential benefits to participants and the plan sponsor. For more information see “Auto-investment Streamlines Mergers and Acquisitions” on page 7.

What is a like-fund conversion?
In a like-fund conversion, the current plan investments are matched with investment options under the acquiring plan that have similar investment objectives. Plan assets are then liquidated on the last valuation date and transferred into the new plan’s investment options.

Once the transfer occurs, the prior recordkeeper completes the final reconciliation and forwards records to T. Rowe Price. Following the posting of the conversion, conversion earnings will be prorated to participant accounts.

After the conversion is complete, participants are then able to transfer their balances among all of their plan’s available options.

According to the PPA, mapped funds must be substantially similar. Due to the lack of IRS guidance regarding like-fund mapping, this can be difficult to accomplish and may, if not done properly, result in fiduciary exposure.

Which conversion strategy is more common—an automatic investment strategy or a like-fund strategy?
With the passing of the PPA, more and more clients are choosing an auto-investment strategy over the like-fund strategy. (Your T. Rowe Price representative can give you the most current percentage of new business conversions that were target-date fund conversions.)

COMMUNICATIONS
How long does it take to develop merger-specific communications?
Once conversion details have been decided, a letter announcing the change and providing some information can usually be produced and mailed within three to four weeks. A detailed conversion communication, which also includes plan features and benefits, may take up to six weeks to produce. Electronic communications (including intranet messages and e-mail) are well suited to plan conversion news, particularly if timing is tight or employees are geographically spread out.

When should communications be sent to employees?
Every situation is different; however, communications should be sent as soon as decisions are final. By involving a T. Rowe Price communications consultant as early as possible, we can assist you in developing an effective communications strategy and streamlining the production of materials.
**PLAN CONVERSION TEAM**

**Will my current T. Rowe Price plan service team contact be my primary contact throughout the plan conversion?**

Your dedicated plan service team is certainly involved during the process. However, a special T. Rowe Price representative with experience in plan conversions related to corporate mergers and acquisitions will be assigned to you. This step helps ensure that you receive the assistance you need in this situation and also allows the plan service team to focus solely on your plan operations.

**How many resources from my organization will I need to devote to the plan conversion?**

In general, you should identify the appropriate resources in your company, such as IT/payroll data interface, benefits personnel, and a day-to-day contact.

**How will T. Rowe Price keep me informed of the status of the plan conversion?**

Early in the process, T. Rowe Price will schedule a meeting or conference call with your internal team and your T. Rowe Price contacts to discuss your plan and situation in detail. Going forward, your T. Rowe Price representative will be in contact with you during the duration of the plan conversion. Additional conference calls will be scheduled on a regular basis to keep all team members informed on the progress of your plan conversion.

**PRICING**

**Could a plan conversion related to a merger or acquisition impact our current pricing arrangement with T. Rowe Price?**

It is possible, and it would depend on the scope of the change and complexity of the plan conversion. Contact your T. Rowe Price representative to discuss your specific situation.

Your T. Rowe Price team is here for you—to answer questions and to keep you up to date on the status of your retirement plan. Keep your T. Rowe Price team informed with any news. Even if you think the information is insignificant, we may find it valuable in planning your conversion.
**Glossary**

**ASSET SALE**  The acquisition of the business assets of another company (for example, equipment, building). Shareholders of the acquired business retain their shares in the business that is selling the assets. A sales agreement typically will outline this type of transaction.

**BLACKOUT PERIOD**  The time it takes to move account records and balances from the prior recordkeeper to T. Rowe Price. During this period, participants cannot make certain transactions, including loans, withdrawals, or investment changes.

**PENSION PROTECTION ACT OF 2006 (PPA)**  A federal law containing comprehensive pension reform aimed at strengthening retirement plans, specifically employee participation, retirement plan/savings flexibility, and portability.

**PROTECTED BENEFIT**  A benefit that cannot be reduced, eliminated by plan amendment, or subject to employer discretion. Examples of protected benefits include: accrued benefits, early retirement benefits, and optional forms of benefit (to the extent they have accrued).

**QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)**  A default investment, as defined by the PPA under ERISA Section 404(c)(5), that offers fiduciary protection provided it meets certain requirements. QDIAs include target-date funds, balanced funds, or managed accounts or a capital preservation investment for the first 120 days of participation.

**SARBANES-OXLEY ACT OF 2002**  A law requiring sponsors to notify participants at least 30 days before any blackout period lasting more than three consecutive business days. During the blackout period, participants will be unable to perform an investment transaction within their account. A sample notice has been issued by the DOL.

**STOCK SALE**  The acquisition of the stock of another company. After the sale, the business is owned by the buyers and the stock is reissued in the name of the buyer. Generally, there is no severance from employment for the employees of the acquired company.

Call 1-800-922-9945 to request a prospectus, which includes investment objectives, risks, fees, expenses, and other information that you should read and consider carefully before investing.

The principal value of the Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. The funds invest in a broad range of underlying mutual funds that include stocks, bonds, and short-term investments and are subject to the risks of different areas of the market. The funds emphasize potential capital appreciation during the early phases of retirement asset accumulation, balance the need for appreciation with the need for income as retirement approaches, and focus more on income and principal stability during retirement. The funds maintain a substantial allocation to equities both prior to and after the target date, which can result in greater volatility.

T. Rowe Price Investment Services, Inc., distributor, T. Rowe Price mutual funds.
This publication has been prepared by T. Rowe Price Retirement Plan Services, Inc., for informational purposes only. T. Rowe Price Retirement Plan Services, Inc., its affiliates, and its associates do not provide legal or tax advice. Any tax-related discussion contained in this publication, including any attachments, is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding any tax penalties or (ii) promoting, marketing, or recommending to any other party any transaction or matter addressed herein. Please consult your independent legal counsel and/or professional tax advisor regarding any legal or tax issues raised in this publication.