

TRANSFORM YOUR TOMORROW<sup>SM</sup>



# TRADITIONAL DEFINED BENEFIT PLANS

A Powerful Retention Tool  
for Plan Sponsors



For Plan Sponsor/Investment Professional Use Only.



## Traditional Defined Benefit Plans

A traditional DB plan may help retain key employees, allow for potentially accelerated retirement savings (by allowing larger employer contributions), and provide potentially greater employer tax deductions or tax deferral as compared to a DC plan. Traditional DB pension plans promise employees a pre-defined lifetime monthly benefit starting at retirement. The amount of the benefit is known in advance and is usually based on factors such as:

- Years of service
- Compensation history
- Age at retirement

## Advantages of a Traditional Defined Benefit Plan for Employers:

- **Maximize benefits:** Business owners can typically contribute significantly more compared to a DC plan alone.
- **Plan earnings:** Plan earnings generally are not taxable to the employer.
- **Investment returns:** Assets are invested by the plan's fiduciary, rather than by individual plan participants, which provides the employer with more control over investments.
- **Pension Benefit Guaranty Corporation:** Generally, DB plans are insured by the Pension Benefit Guaranty Corporation.<sup>3</sup>
- **Tax savings:** Employer contributions are tax deductible, and an employer can make additional tax deductible contributions to fund future required contributions (within the limitations of the law).

## Advantages of a Traditional Defined Benefit Plan for Employees:

- **Deferred taxation:** Employees defer taxation on their benefit accruals until they begin receiving benefit payments (monthly annuity payments or a lump sum distribution).
- **A known benefit:** Employees know the specific benefit they will receive at retirement.
- **Increased savings:** Higher contributions typically allow for larger benefits for HCEs compared to a DC plan (based on factors such as age).
- **Increased contributions:** Generally, employers can contribute more for employees with the least number of years until retirement.
- **Additional security:** Retirement benefits are not dependent on how much an employee can afford to save.
- **Reliable benefits:** Employees are provided with a defined retirement benefit regardless of stock market volatility.
- **Hands-off investment strategy:** No investment decisions need to be made by participants.
- **ERISA protection:** Qualified plan assets are protected in the event of a lawsuit or bankruptcy.<sup>\*,\*\*,\*</sup>



Recent financial events have clearly shown business owners and employees the vulnerability of standalone profit sharing and 401(k) plans. While all retirement plans involve risk, a traditional defined benefit (DB) plan can deliver benefit payments that last throughout retirement, for business owners, highly compensated employees (HCEs), and all other employees. Studies show that employees value a defined benefit plan so much that:

- More than 60% of workers younger than age 40 considered their retirement program was an important factor in accepting their job.<sup>1</sup>
- More than 75% of new hires at companies sponsoring DB plans say the retirement program gives them a compelling reason to stay on the job and 85% hope to work with their employer until they retire.<sup>1</sup>

In addition, employer contributions into the DB plan can often exceed their IRS limits on DC plans (\$51,000 for 2013).<sup>\*</sup> Although the amount of contributions that can be made into DC plans may be lower, employees also value their defined contribution (DC) plans which include profit-sharing and 401(k) retirement plans, because these DC plans provide employees with additional ways to save more for retirement. There are many benefits for having your plans with Transamerica Retirement Solutions.<sup>2</sup> These include, for instance: having a dedicated service team, combined participant statements,<sup>\*\*</sup> streamlined data collection, and potential savings on administration costs.

<sup>\*</sup> Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state, or local tax penalties. Please consult your own independent advisor as to any tax, accounting or legal statements made herein. Within allowed IRC limits.

<sup>\*\*</sup> DC plan must be with Transamerica.

<sup>\*\*\*</sup> Employee Retirement Income Security Act of 1974 (ERISA).

## Why Transamerica?

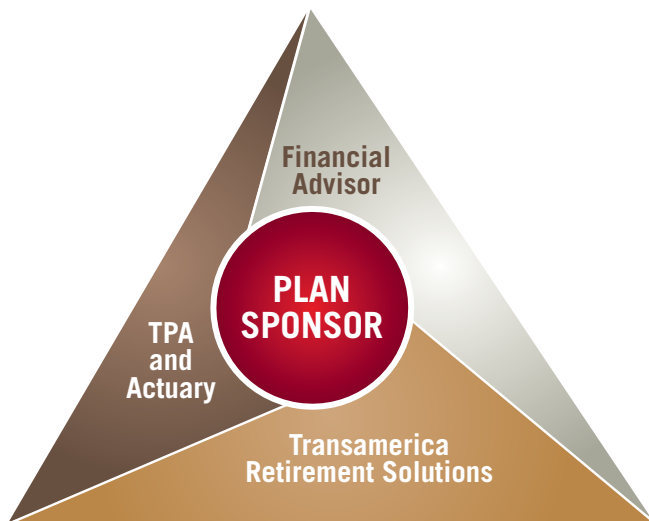
For more than 75 years,<sup>2</sup> Transamerica Retirement Solutions and its affiliates have been dedicated exclusively to providing customized retirement plan services to employers. Transamerica currently services over 21,000 plans, with \$91 billion of assets under management and more than three million participants.<sup>4</sup> This singular focus enables us to continually develop innovative strategies to help our clients more efficiently manage their retirement plans-including services for defined benefit, defined contribution, and non-qualified deferred compensation plans. Not only do we have a depth of expertise across all these plan types, we've amassed a breadth of experience working with all different kinds of organizations.

As one of the top retirement plan providers,<sup>5</sup> Transamerica services over 375 defined benefit plans and has more than \$20 billion in defined benefit plan assets.<sup>4</sup> Of these defined benefit plans, our emerging markets group services over 150 small plans and has more than \$1.5 billion in assets with a client retention rate of 98%.<sup>4</sup>

## Expertise

- Transamerica offers more than 250 investment choices<sup>6</sup> from over 40 well-known investment advisory companies,\* including Stable Value funds and longer bond funds.<sup>7</sup>
- Mutual fund or separate account platforms are available.<sup>7</sup>
- The Transamerica Fiduciary Management Tool provides a range of tools to help you satisfy the investment portion of your fiduciary responsibility.<sup>8</sup>
- Transamerica Proprietary Investment Scorecard displays the analysis conducted using Transamerica's process to help plan sponsors fulfill their due diligence obligation.<sup>9</sup>
- Benefit payments with a payee call center.

## Total Defined Benefit Support



## Dedication

- Dedicated Client Relationship Associates (DCRAs) and dedicated Client Relationship Managers (CRMs).<sup>10</sup>
- Every year, Transamerica representatives can participate in plan investment committee meetings to help sponsors meet their fiduciary responsibilities.<sup>11</sup>
- Each sponsor receives, upon request, a customized investment review.
- Sponsor-directed rebalancing and reallocations strategies.
- Combined DB/DC participant statements.
- Dedicated retiree call center with multilingual support.

For more information about establishing a defined benefit plan call us today at 888-401-5826, between the hours of 9 a.m. to 7 p.m. ET, or visit us at [trsretire.com](http://trsretire.com).

\* Each plan's investment management companies may vary based on the choice of retirement plan product. These investment management companies are representative and may change at any time. Transamerica Asset Management and Aegon USA Investment Management are affiliated with Transamerica Retirement Solutions.



**Transamerica Financial Life Insurance Company and Transamerica Life Insurance Company are affiliates of Transamerica Investors Securities Corporation (TISC). Securities are offered by TISC, 440 Mamaroneck Avenue, Harrison, NY 10528.**

Transamerica Retirement Solutions and its representatives cannot give ERISA, tax, or legal advice. This material is provided for informational purposes only based on our understanding of material provided and should not be construed as ERISA, tax, or legal advice. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation and the concepts presented here. Although care has been taken in preparing this material and presenting it accurately, Transamerica Retirement Solutions disclaims any express or implied warranty as to the accuracy of any material contained herein and any liability with respect to it. Transamerica Retirement Solutions does not provide investment advice and does not act as a fiduciary. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation.

1. Nyce, Steve. "Attraction and Retention: What Employees Value Most." Towers Watson *Insider* March 2012. [www.towerswatson.com/research/insight](http://www.towerswatson.com/research/insight). Transamerica Retirement Solutions is not affiliated with Towers Watson.

2. Plan-related recordkeeping services are provided by Transamerica Retirement Solutions Corporation ("Transamerica" or "Transamerica Retirement Solutions"). The investment choices are available through a contract issued by Transamerica Financial Life Insurance Company ("TFLIC"), TA-AP-2001-CONT, or Transamerica Life Insurance Company ("TLIC"), CNT-TLIC 10-05. Transamerica is an affiliate of TFLIC and TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Contract form and number may vary, and these investment choices may not be available in all jurisdictions. Fees and charges may apply. For complete information, contact your Transamerica representative.

3. In the event a DB plan terminates before benefits are fully funded, the Pension Benefit Guaranty Corporation ("PBGC") steps in to pay guaranteed benefits. The PBGC protects the retirement incomes of more than 44 million American workers in more than 27,500 private-sector defined benefit pension plans. PBGC collects insurance premiums from employers that sponsor insured pension plans. Transamerica Retirement Solutions is not affiliated with the PBGC. For 2013, the maximum guaranteed amount is \$57,477.24 per year for workers who begin receiving payments from PBGC at age 65. The maximum guarantee is lower if you begin receiving payments from PBGC before age 65 or if your pension includes benefits for a survivor or other beneficiary. The maximum guarantee is higher if you are over age 65 when you begin receiving benefits from PBGC.

4. As of December 31, 2012.

5. Transamerica Retirement Solutions received 56 "Best in Class" Cups for sponsor and participant services in *PLANSPONSOR*® Magazine's annual Defined Contribution Survey of retirement plans. The 56 "Best in Class" designations—16 in the <\$5 million market, 17 in the \$5 million to \$10 million markets and 23 in the \$10 million to \$50 million markets—rank Transamerica Retirement Solutions among the top cup recipients of the 35 providers evaluated in the micro- and small-plan markets. The results of the Defined Contribution Survey were announced in the November 2012 issue of *PLANSPONSOR*® Magazine. The survey polled 5,930 clients of 37 defined contribution plan providers. "Best in Class" Cups are awarded to plan providers who score in the top quartile of a specific category. See the November 2012 issue of *PLANSPONSOR*® Magazine for complete results. Transamerica Retirement Solutions Corporation was formerly known as Transamerica Retirement Services Corporation and Diversified Retirement Corporation.

6. All investment choices are Transamerica Life Insurance Company ("TLIC") or Transamerica Financial Life Insurance Company ("TFLIC") separate account investment choices that are either managed (or invest in underlying investment vehicles managed) by affiliated or non-affiliated investment managers, except for the Transamerica Stable Value Option and the Transamerica Stable Value Account. The Transamerica Stable Value option and the Transamerica Stable Value Account are not separate account investment choices; they are an investment in the TLIC or TFLIC general account, respectively. Some limitations on the number of investment choices

based on first-year deposits or on total plan assets may apply. Maximum number of investment choices is 80. "NAV mutual fund product" refers to the Transamerica platform that provides retirement plan sponsors and/or their financial advisors with the ability to select mutual funds at net assets value. The funds are offered to plan sponsors without any sales charge imposed.

7. The Transamerica stable value investment choices are backed by the general account of Transamerica Life Insurance Company ("TLIC") or Transamerica Financial Life Insurance Company ("TFLIC"). While TLIC or TFLIC declare rates and back the principal and interest of these investment choices, any guarantees are subject to the claims paying ability of the insurance company. This investment choice is not guaranteed by the FDIC or any other government agency. Although plan participants generally may withdraw assets from the stable value investment choice without restrictions, TLIC/TFLIC may impose a hold period at the contract level in the event of a full contract discontinuance, partial contract discontinuance, or certain transfers. Please see your contract for hold periods that may be applicable to your plan. Certain unaffiliated stable value investment choices (which are not supported by an insurance company general account) also may be available. These stable value investment choices instead invest in stable value fund bank collective trusts. These stable value investment choices may be subject to book value adjustments or hold periods for withdrawals under certain circumstances, and the fees associated with stable value investment choices generally reflect different crediting rate/charge structure combinations.

8. Transamerica Retirement Solutions' fiduciary monitoring does not guarantee that an investment will not lose value. The monitoring involves our proprietary monitoring system. Transamerica is not a fiduciary with respect to any plan nor is it responsible for any selection, monitoring, or de-selection of investment choices.

9. Transamerica performs investment selection and monitoring due diligence related to the investment choices on Transamerica's platform as a normal part of its business. Clients and other interested parties must consult and rely solely upon their own independent advisors regarding their particular situation. **All investments involve risk, including loss of principal and there is no guarantee of profits. Investors should carefully consider their objectives, risk tolerance, and time horizon before investing.** This is not meant to be construed as investment advice. Transamerica is not a fiduciary with respect to the plan as defined by ERISA including sections 3(21), 3(38) or 3(16), nor is it responsible for a plan's selection, monitoring or de-selection of investments. Although the investment choices may meet the "significantly exceeds," "meets/exceeds," or "below" criteria, there are no guarantees of a profit and it is still possible to lose money from that investment choice. **Transamerica Retirement Solutions does not provide investment advice. Nothing presented herein should be construed as a recommendation to purchase or sell a particular investment, product or follow any investment technique or strategy.** Transamerica Retirement Solutions does not act as a fiduciary.

10. Dedicated Client Relationship Associates and Client Relationship Managers are available for defined benefit plans with over \$1 million in assets.

11. Minimum balance of at least \$5,000,000 in defined benefit assets is required for in-person participation. For clients with less than \$5,000,000 in defined benefit assets, conference call participation is available.

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