



V3LOCITY Versatility: Cash Balance Plan Administration

INTRODUCTION

Defined benefits plans have historically been an important way for workers in the U.S. to set aside money for long-term savings and retirement. But with the rise of defined contribution plans such as 401ks, where employees are primarily responsible for contributing money and managing the investments, defined benefits plans have fallen out of favor with most private sector businesses.

Cash balance plans, also known as "hybrid" pension plans, combine the features of defined contribution and defined benefit plans and are becoming a popular retirement savings option for employers and plan participants. With cash balance plans, the investment risks are borne solely by the employer and increases and decreases in the value of the plan's investments do not directly affect the benefit amounts promised to participants. In a typical plan, a participant's account is credited each year with a "pay credit" (such as 5 percent of compensation from the employer) and an "interest credit" (either a fixed rate or a variable rate that is linked to an index such as the one-year treasury bill rate). Increases and decreases in the value of the plan's investments do not directly affect the benefit amounts promised to participants.

Cash balance plans require more specialized administrative management, especially in terms of holding account balances and accruing those account balances with interest (fixed and variable) versus storing and processing an annuity benefit in defined benefit plan administration. This requires Defined Benefit Administrative systems to incorporate cash balance capabilities into a system designed for pension (annuity) benefits. In traditional defined benefit plan administration systems, the primary focus is on calculating an annuity benefit at Normal, Early or Delayed Retirement and then calculating other optional forms of distributions, including lump sums. With cash balance plan administration, the focus is on calculating a participant's benefit similar to a defined contribution plan style, with an opening balance, interest crediting rate, and ending balance to determine a lump sum amount payable. Very often, cash balance plans also require converting the cash balance to an annuity and various optional forms similar to the traditional defined benefit plans.

As a result, it is both complicated and costly for plan sponsors to use an administration system that was originally designed for traditional defined benefit plans for cash balance plans. V3LOCITY, Vitech's cloud-native, administration, engagement, and analytics platform, however, provides the integrated workflows, benefit calculations, and advanced digital features necessary to support the complexities of cash balance plan administration.



V3LOCITY FOR CASH BALANCE ADMINISTRATION FEATURES

V3LOCITY supports complex cash balance plan administrative functions and includes out-of-the-box capabilities that streamline cash balance calculation and funds distribution. While some plan sponsors have developed in-house systems with manual work-arounds that remain inefficient, costly to maintain, and fail to provide or meet the digital self-service expectations of plan participants and employers, V3LOCITY was enhanced specifically for cash balance plan administration. It can easily process difficult data and contractual rules that reduce operational efficiency, in addition to often-inconsistent census and other plan participant data from pension plan sponsors. V3LOCITY also includes capabilities for data loading, data scrubbing, and data comparison that many current administration solutions lack.

V3LOCITY's cash balance plan administration capabilities are also integrated with workflows, campaign management, documents and correspondence and extensive APIs to streamline business processes and share tools that provide data across all relevant departments and systems (marketing, compliance, printing/mail room, call center, valuation). V3LOCITY also offers cash balance plan participants the same level of information and transparency as defined contribution plans in a defined benefit administration system, in addition to the intuitive digital self-service that allows them to access and view their online balances daily.

V3LOCITY supports all cash balance plan designs, including plans providing participants with:

- Cash balance account only; and
- Cash balance account and a minimum guaranteed benefit.

V3LOCITY also supports cash balance plan provisions with various styles of interest rate calculations, including:

- Flat interest rate or based on an index;
- Minimum and/or maximum rates;
- Simple or compound interest rate; and
- Various day count conventions.



CONCLUSION

In today's employer benefits market, cash balance plans are now growing faster than traditional 401k offerings. With the proliferation of these plans, sponsors need a technology solution that supports their administrative complexities, including onboarding, administration, and automated benefit calculations. V3locity provides these capabilities in one robust platform, in addition to enhanced digital capabilities, advanced reporting, and omnichannel options, to deliver a contemporary customer experience throughout the cash balance plan lifecycle.

ABOUT VITECH

Vitech is a global provider of cloud-native benefit and investment administration software. We help our Group Insurance, Pension Fund Administration, and Investment clients expand their offerings and capabilities, streamline their operations, gain analytical insights, and transform their engagement models. Vitech employs over 1,400 professionals, serving over 100 of the world's most successful insurance, retirement, and investment organizations. An innovator and visionary, Vitech's market leadership has been recognized by industry experts, such as Gartner, Celent, Novarica, and ISG. For more information, please visit our website at www.vitechinc.com