

Delivering a stable value solution

Case study



Client profile

Industry: Healthcare

Types of plans:

Investment only – 403(b)
and 457(b)

Assets: \$90.6M

Client need

A large healthcare organization offered in its plan a stable value investment with a poor market-to-book ratio. This ratio was expected to get worse. The market-to-book ratio had dropped below 95%, and the contract dictated that participant loan and transfer activity be discontinued and no further deposits be allowed. In addition, the portfolio investments couldn't support the high guaranteed minimum interest rate (GMIR) of 3%.

Staying with its current stable value provider risked a negative impact to participants. However, if the plan sponsor discontinued the contract, it would be required to pay a market value adjustment (MVA) – the difference between market and book value – of more than \$5 million.

The Lincoln solution

A consultant firm conducted a stable value search to find a solution to meet the needs of the plan sponsor and participants. Lincoln offered a stable value alternative with a competitive GMIR and crediting rate, as well as a solution to address the incumbent provider's MVA. The Lincoln solution absorbed the MVA to eliminate negative impact to the plans or to participant accounts.

“Lincoln was extremely communicative and responsive during the entire process, despite tight turnaround times and changing market conditions.”

– Consultant

Results

- The plan sponsor terminated its previous stable value contract with no negative impact to the plans or their participants.
- Lincoln covered the \$5.3 million MVA to establish a stable value solution with a market-to-book ratio over 100%.
- The plan sponsor gained a portable stable value solution from a provider that demonstrates greater financial strength than the previous provider.

Not a deposit
Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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