



OUR DIFFERENCE IS YOUR ADVANTAGE

# PENTEGRA SUCCESS STORY

## Isabella Bank, Mt. Pleasant, Michigan

Finding a better way to balance cost and benefit objectives—that was Isabella Bank’s goal in reviewing their employee retirement plans. What made the Bank choose Pentegra as the provider for its defined benefit plan, 401(k) and ESOP? **“Pentegra’s consulting expertise and 65+ year history in working with community banks was a significant factor, and a key differentiator for the Bank,”** said Isabella Bank President Rick Barz.

### THE CHALLENGE

Isabella Bank was looking for a way to achieve cost efficiencies, particularly in light of its recent acquisition activity. The Bank had a 401(k) plan with a low matching formula due to the fairly significant cost of its defined benefit plan. Additionally, the Bank had an Employee Stock Ownership plan (ESOP) that had not been funded for a number of years due to the increasing defined benefit plan funding obligation. Foremost among the Bank’s objectives was to protect long-term employees. One of the key concerns in any plan restructuring was to be able to find a way to keep tenured and older employees “whole” and not impact benefits in a negative way. Another challenge—younger employees had little appreciation for the retirement plans.

The Bank’s management and Board of Directors were undecided whether or not to maintain their existing defined benefit plan and 401(k) program, or terminate the defined benefit plan and increase the matching contribution under the 401(k) plan, and begin to fund the ESOP once again. They needed an objective opinion and consulting expertise.

### ISABELLA BANK OBJECTIVES

- Restructure retirement program to meet changing cost and benefit objectives
- Protect long-term employees
- Reinstigate contributions to the Bank’s Employee Stock Ownership Plan
- Increase employee appreciation for retirement program

## THE PENTEGRA SOLUTION

Pentegra provided the consulting expertise which enabled the Bank to evaluate all of their alternatives, and to clearly understand the effects a restructured program would have on their employees—particularly long-term employees—on an individual basis. Pentegra’s years of experience working with community banks like Isabella afforded the Bank the advantage of peer comparisons and statistical benchmarking of banks similar in size and structure to Isabella Bank. Pentegra’s Consulting team met with the Bank’s Executive Management Group and Board of Directors several times to explain the alternatives, illustrating the cost and benefit differences associated with each plan option.

**Said Barz, “Pentegra’s Board presentations brought clarity to our decision process by making it easier for our Board to understand the various plan scenarios and cost alternatives.”** Ultimately the Bank decided on a restructured defined benefit plan including a Non Qualified plan for certain employees, increased the employer match under the 401(k) program, and added an ESOP. Pentegra then worked directly with the Bank’s Human Resources Department to facilitate on-site employee education meetings in order to increase program visibility and elevate employee appreciation for their new retirement program. **Dennis Angner, President and CEO of Isabella Bank Corporation, the parent company, stated that “with the plan restructuring our overall retirement costs are both more manageable and predictable, which will allow us to fund the ESOP in future years. Having a well diversified retirement program is important to the corporation to attract and retain quality employees.”** Said Barz, **“I am proud of what we did and how we did it, and as a result we have a tremendously loyal employee base.”**

## THE PENTEGRA ADVANTAGE

- Comprehensive retirement plan consulting capabilities
- Unique banking industry perspective
- Employee communication and education
- Reduced plan costs

Established as a not-for-profit cooperative in 1943 to provide retirement benefits to employees of the Federal Home Loan Bank System, today Pentegra has grown to manage more than 1,000 retirement programs for financial institutions nationwide, and over \$6.5 billion in retirement plan assets. For more information, please contact us at 800.872.3473, or visit us at [www.pentegra.com](http://www.pentegra.com).