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## New State-of-the-Art Service Features are Coming!

BCG is pleased to announce some new service features that utilize new technology and a sophisticated approach for navigating through your investment decisions. Look for more details on these important features coming to you soon!

### NOVEMBER 2008 NEWSLETTER



## BCG Is Taking Client Relations to the Next Level--Building a Powerful Partnership

We have enjoyed 50 years of successful relationships with our plan sponsors and financial advisors managing the daily administration of over 2000 retirement plans and providing services to over 190,000 plan participants while managing over two billion in plan assets. However, doing things the way they have always been done has never been our goal. Our performance method is constant and never ending improvement in everything we do, which includes assessing current operations to identify opportunities for improvement, making changes and monitoring results, then adjusting.

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### TECHNICAL CORNER

## Guidance for Plan Fiduciaries in a Volatile Market

The duty to act prudently

As a result of our recent assessment of our Client Relations division, we are enhancing how we plan to do business with our plan sponsors and financial advisors. Our discussions revealed a need to develop greater partnerships with our clients while providing additional value. As a result, we are transitioning our support services to a more client focused account management model, which goes beyond basic service delivery managing day-to-day issues and one size fits all traditional third party administration support. We have assigned each plan a Plan Account Manager, supporting both the plan sponsor and the financial advisor, as a dedicated specialist who will know you and your business and who you will know and trust. Your Plan Account Manager is the specialist with whom you have been working recently relative to your plan questions, requests for support, EGTRRA and QDIA.

We are committed to personal account management and advocacy within BCG and ensuring that our support meets your unique needs. Look to BCG Client Relations for a full scope of services including, but not limited to:

- Premium, proactive support that provides you the opportunity to take advantage of greater interaction with your Plan Account Manager, from phone support to retirement plan administration education, which allows you to take control of your responsibilities as the plan sponsor or financial advisor.
- Semi-annual BCG account reviews with you and your Financial Advisor to discuss our performance, outline service elements and establish expectations to ensure that we are consistently meeting your needs.
- Confidence that your issues will be addressed promptly to deliver the best resolution in the shortest possible time. Our goal is to achieve fast and accurate solutions to operational problems.
- Guidance on how to take advantage of BCG support services including web functionality, ERISA consultancy, distributions, payroll and more.
- Valuable plan information communicated in many forms including correspondence, courtesy calls, e-newsletters and [bcgbenefits.com](http://bcgbenefits.com), to make you aware of the most up-to-date government, tax and compliance regulations that may be relevant to your plan.
- Your Plan Account Manager is backed-up by an entire team ready to support your needs. If for any reason your Plan Account Manager is unavailable to assist you with a matter requiring immediate attention; you may call (800) 524-4015 and select Option #5, Monday through Friday, 8AM - 6:30PM ET.
- Your plan participants not only receive award winning statements, but 24/7 access to their plan information via VRU and

is one of a fiduciary's central responsibilities under ERISA. It requires expertise in a variety of areas, such as investments. Lacking that expertise, a fiduciary will want to hire someone with that professional knowledge to carry out the investment and other functions. Prudence focuses on the process for making fiduciary decisions. Therefore, it is wise to document fiduciary decisions and the basis for those decisions.

As plan sponsor of a 401(k) or other defined contribution plan, you are responsible for selecting and monitoring the investment options available under the plan. This is true even where the participant is responsible for directing the investment of his or her account from among the menu of investment options being offered. Diversification helps to minimize the risk of large investment losses to the plan. Fiduciaries should consider each plan investment as part of the plan's entire portfolio. Once again, you will want to document their evaluation and investment decisions. In light of recent market developments, you should keep in mind that, while the recent market conditions may be rocky, plan investments generally are designed to be held over the long

web and dedicated plan specialists to handle any time-sensitive needs Monday through Friday, 8AM - 8PM ET at (800) 524-4015, Option #4.

There are many exciting things going on at BCG, as we strive to enhance the efficiency and value of the way we work for you. Several aspects of our plan have been implemented and many others are in development. Stay tuned for more of what BCG has to offer you as your valued retirement plan administration partner.

## Cost of Living Increases for Plan Years Beginning in 2009

The Internal Revenue Service today announced cost of living adjustments applicable to dollar limitations for pension plans and other items for tax year 2009.

Section 415 of the Internal Revenue Code provides for dollar limitations on benefits and contributions under qualified retirement plans. It also requires that the Commissioner annually adjust these limits for cost of living increases.

Many of the pension plan limitations will change for 2009 because the increase in the cost-of-living index met the statutory thresholds that trigger their adjustment. However, for others, the limitation will remain unchanged. For example, the limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$15,500 to \$16,500. This limitation affects elective deferrals to Section 401(k) plans and to the federal government's Thrift Savings Plan, among other plans.

Effective Jan. 1, 2009, the limitation on the annual benefit under a defined benefit plan under Section 415(b)(1)(A) is increased from \$185,000 to \$195,000. For participants who separated from service before Jan. 1, 2009, the limitation for defined benefit plans under Section 415(b)(1)(B) is computed by multiplying the participant's compensation limitation, as adjusted through 2008, by 1.0530. The limitation for defined contribution plans under Section 415(c)(1)(A) is increased from \$46,000 to \$49,000.

The Code provides that various other dollar amounts are to be adjusted at the same time and in the same manner as the dollar limitation of Section 415(b)(1)(A). These dollar amounts and the adjusted amounts are as follows:

- The limitation under Section 402(g)(1) on the exclusion for elective deferrals described in Section 402(g)(3) is increased from \$15,500

term. In the meantime, consider the following steps:

1. Stepping up normal monitoring procedures on a temporary basis can help plan fiduciaries assess and mitigate risk. Such measures might include:

- Reach out to the plan's financial advisors. It may be wise to ask for a current update as to the status of existing investment options, rather than waiting for the next quarterly or other periodic report. Ask your advisor to comment specifically on whether the plan's investments pose any unique concern in the current financial environment.

- Review and assess the report and any recommendations received. Evaluate what your financial advisor says. If unique risk factors are identified for your investments, take appropriate action which, depending on the circumstances, may range from putting the investment on a watch list for close and timely monitoring, to freezing the investment to new money or to eliminating the investment.

- Establish an interim accelerated ongoing review process. While many plans currently provide for a quarterly or semiannual review process where plan

to \$16,500.

- The annual compensation limit under Sections 401(a)(17), 404(l), 408(k)(3)(C), and 408(k)(6)(D)(ii) is increased from \$230,000 to \$245,000.
- The dollar limitation under Section 416(i)(1)(A)(i) concerning the definition of key employee in a top-heavy plan is increased from \$150,000 to \$160,000.
- The dollar amount under Section 409(o)(1)(C)(ii) for determining the maximum account balance in an employee stock ownership plan subject to a 5 year distribution period is increased from \$935,000 to \$985,000, while the dollar amount used to determine the lengthening of the 5 year distribution period is increased from \$185,000 to \$195,000.
- The limitation used in the definition of highly compensated employee under Section 414(q)(1)(B) is increased from \$105,000 to \$110,000.
- The dollar limitation under Section 414(v)(2)(B)(i) for catch-up contributions to an applicable employer plan other than a plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over is increased from \$5,000 to \$5,500. The dollar limitation under Section 414(v)(2)(B)(ii) for catch-up contributions to an applicable employer plan described in Section 401(k)(11) or Section 408(p) for individuals aged 50 or over remains unchanged at \$2,500.
- The annual compensation limitation under Section 401(a)(17) for eligible participants in certain governmental plans that, under the plan as in effect on July 1, 1993, allowed cost of living adjustments to the compensation limitation under the plan under Section 401(a)(17) to be taken into account, is increased from \$345,000 to \$360,000.
- The compensation amount under Section 408(k)(2)(C) regarding simplified employee pensions (SEPs) is increased from \$500 to \$550.
- The limitation under Section 408(p)(2)(E) regarding SIMPLE retirement accounts is increased from \$10,500 to \$11,500.
- The limitation on deferrals under Section 457(e)(15) concerning deferred compensation plans of state and local governments and tax-exempt organizations is increased from \$15,500 to \$16,500.
- The compensation amounts under Section 1.61 21(f)(5)(i) of the Income Tax Regulations concerning the definition of "control employee" for fringe benefit valuation purposes is increased from \$90,000 to \$95,000. The compensation amount under Section 1.61

fiduciaries review performance and other metrics regarding the plan's investments, it may be appropriate to establish a more frequent schedule on a temporary basis.

- Document Your Decisions. Since ERISA is concerned with a prudent process, the best way to demonstrate this is to document your actions and decisions.

2. Given uncertainties in the market, participants may appreciate an update about their investments and actions being taken by the plan fiduciary. In developing communications, consider the following:

- Provide assurance that events are being monitored. Plan fiduciaries cannot promise that plan investments will not lose value, but they can reassure participants that a monitoring process is in place and being followed, and that experts who are experienced in investment matters are involved.

- Reinforce basic investment principles. Remind participants of the value of diversification and the time horizon for retirement investing. If the plan offers company stock as an investment option, this may be an appropriate time to reinforce previous

21(f)(5)(iii) is increased from \$185,000 to \$195,000.

- The limitation on wages under Section 45A regarding individuals eligible for the Indian employment credit is \$40,000 for tax years beginning in 2008 and will increase to \$45,000 for tax years beginning in 2009. The termination date of section 45A was recently extended from Dec. 31, 2007, to Dec. 31, 2009, by Section 314 of Division C of the Emergency Economic Stabilization Act of 2008, P.L. 110-343.

The Code also provides that several pension-related amounts are to be adjusted using the cost-of-living adjustment under Section 1(f)(3). These dollar amounts and the adjustments are as follows:

- The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for married taxpayers filing a joint return is increased from \$32,000 to \$33,000; the limitation under Section 25B(b)(1)(B) is increased from \$34,500 to \$36,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$53,000 to \$55,500.
- The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for taxpayers filing as head of household is increased from \$24,000 to \$24,750; the limitation under Section 25B(b)(1)(B) is increased from \$25,875 to \$27,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$39,750 to \$41,625.
- The adjusted gross income limitation under Section 25B(b)(1)(A) for determining the retirement savings contribution credit for all other taxpayers is increased from \$16,000 to \$16,500; the limitation under Section 25B(b)(1)(B) is increased from \$17,250 to \$18,000; and the limitation under Sections 25B(b)(1)(C) and 25B(b)(1)(D), from \$26,500 to \$27,750.
- The applicable dollar amount under Section 219(g)(3)(B)(i) for determining the deductible amount of an IRA contribution for taxpayers who are active participants filing a joint return or as a qualifying widow(er) is increased from \$85,000 to \$89,000. The applicable dollar amount under Section 219(g)(3)(B)(ii) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$53,000 to \$55,000. The applicable dollar amount under Section 219(g)(7)(A) for a taxpayer who is not an active participant but whose spouse is an active participant is increased from \$159,000 to \$166,000.
- The adjusted gross income limitation under Section 408A(c)(3)(C)(ii)(I) for determining the maximum Roth IRA contribution for married taxpayers filing a joint return or for taxpayers filing as a qualifying widow(er) is increased from \$159,000 to \$166,000. The adjusted gross income limitation under

communications regarding diversification.

- Remind participants of available resources. If the plan offers investment advice, remind participants of this valuable benefit. Participants may also want to seek their own financial advice.

- Notice of unique risk factors. If unique risk factors with respect to any investment option are identified, that may require tailored communications regarding such factors.

A prudent process is essential to risk management-and now is the time to make sure that such process is working appropriately.

## BCG 401(k) Sales Seminars- -Have You Reserved Your Seat?

BCG will be sponsoring a number of training seminars to help improve your 401(k) sales and knowledgebase.

If you want to be part of the next sales seminar, and want us to save you a seat, please contact Deborah White at (856) 368-7217 or email to

Section 408A(c)(3)(C)(ii)(II) for all other taxpayers (other than married taxpayers filing separate returns) is increased from \$101,000 to \$105,000.

Administrators of defined benefit or defined contribution plans that have received favorable determination letters should not request new determination letters solely because of yearly amendments to adjust maximum limitations in the plans.

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If there is a specific subject that you would like us to present, please let us know.

## 2009 IRS COLA Limits Announced

The IRS recently announced the 2009 Cost of Living Adjustments. Some of the key limits include:

<u>Limit</u>	<u>2009 Amount</u>
401(k)/403(b) traditional/Roth employee deferral limit (also the 457 plan limit)	\$16,500
401(k)/403(b) traditional/Roth general catch up deferral limit	\$5,500
Defined contribution individual contribution (415) limit	\$49,000
Maximum plan compensation limit	\$245,000
Defined benefit individual annual benefit (415) limit	\$195,000
Highly Compensated Employee Amount (employee making more than dollar amount in prior year)	\$110,000
Key Employee (officer earning more than)	\$160,000

The Social Security Administration also announced a Social Security Taxable Wage Base of \$106,800 for 2009.

## New Speaker's Service

Take advantage of this new service. If you are a Financial Advisor and need to hold a seminar for your clients or colleagues, BCG can help. BCG has speakers available on various retirement planning topics. We will travel at our expense within a 100 mile radius of our Delran office.

Please contact Steve Sokolic at 856-368-7215.

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