

May 2008 Newsletter

Tips for Women and Pension Plans

Studies have shown that even though women have made leaps and strides in the economic workplace they still don't earn as much as their male counterparts. To make sure that women are receiving an adequate pension for retirement may take more planning. Since women tend to earn less than men that may mean that they have less saved for retirement.



Here are some tips to help ensure that you will receive the most benefit from your Pension Plan.

- Carefully read over your Summary Plan Description to determine what your benefits are.
- Find out if your Pension Plan is insured by the Pension Benefit Guaranty Corporation.
- Check to see if your Pension Plan will be offset by your Social Security.
- For the greatest amount of benefits, include Pension Plans that you may have from former employers to your retirement plan.

The Technical Corner

DOL Expending More Effort...Looking for Fiduciary Breaches

It appears the Department of Labor is expending more resources examining plans for fiduciary violations. That said, Plan Sponsors and their internal administrators need to be diligent in carrying out their fiduciary responsibilities.

Attention should be given to the following issues:

- **Lack of proof of investment policies and procedures.** A plan is required to provide a procedure for establishing and carrying out a funding policy and method consistent with its

objectives. The best way to do that is to have an investment policy statement that provides guidelines and selecting and monitoring the performance of plan investment options. If you do not have such a guideline or it has not been reviewed in over a year (ideally a quarterly or semi-annual review should be undertaken), contact your plan's financial advisor to initiate this review and documentation.

- **Lack of written demonstration that the sponsor or trustee has engaged in periodic reviews of service providers to ensure that their services are effectively undertaken at a reasonable cost.** A lot has been written recently about the need for greater disclosure of plan fees and expenses and additional disclosure of such information will definitely be required in the future. However, fiduciaries have always had the obligation to monitor plan fees to assure services are provided at a reasonable cost. Many times, the problem is not that such an investigation was not made, but that it was not documented. Written memoranda of your review and conclusions are essential.
- **Participant loans, particularly to the owners, that were not taken according to the participant loan program or were subject to default for failing to repay on a timely basis.** Even though participants in effect are borrowing money from themselves, fiduciaries have the obligation to monitor the loan program to assure loans are only made in accordance with the rules of the program, and to default a participant if repayments are not made in accordance with the loan note. As TPA, we will only default a participant loan upon your direction to do so.
- **Failure to document and obtain annual valuations of non-stock-exchange investments, such as limited partnerships and real property.** If your plan contains any investments that are not readily tradable on an established exchange or trading platform, you are required to obtain a valuation of the investment each year. Documentation of the method of valuation is a must.
- **Failure to properly maintain the required fidelity bond.** Plan sponsors and administrators must be sure to be in compliance with bonding rules. The bond must equal 10% of the value of plan assets at the beginning of the year, with a minimum bond of \$1,000 and a maximum bond of \$500,000 (\$1,000,000 if the plan holds employer securities). Also be aware of the following rules that deal with requests for documents and information by plan participant's or DOL:
- **Failure to timely respond to participant's request for information.** If a participant requests information to which he/she is entitled under ERISA, such as a copy of the plan document, and the plan administrator fails to provide that document within 30 days, the administrator may be liable for a penalty of up to \$100 per day if the participant goes to court to enforce his/her document request.
- **Failure to respond to DOL's request for documents.** If the plan administrator fails to respond to the DOL's request for any document under which the plan is operated, they can assess a penalty of \$100 per day until the documents are received.

If you have questions about this topic, please contact your BCG Sales and Plan Implementation Department at 1-800-524-401K.

In The News...

Mergers and Acquisitions...Oh My!

Today, it is not uncommon for even a small business to acquire another firm or vice versa. When either, or both firms, have a Qualified Plan, the parties must exercise care and caution

in handling the plans through the process.

Decisions on terminating one of the plans, merging the plans, or freezing one of the plans needs to be addressed before the agreements are signed. The wrong choice could cause a delay in making distributions, or even disqualification of both plans. Whenever you or your client becomes aware of a change in ownership, you need to get BCG involved to protect the owners and the participants from suffering unintended consequences of finding out too late that the plan cannot be changed. Your BCG Retirement Plan Specialist can help you achieve the results you want, but only if they know about the change before it happens.

Recent Speaking Engagements

Steve Sokolic, Executive Vice President at BCG, spoke at the National Association of Insurance & Financial Advisors, Passaic/Bergen Chapter. The topic was "Cash Balance Options: Opportunities to defer annual income in the six figures."

Reed Cline, Technical Consultant at BCG, was guest speaker at a recent Mid-Atlantic Relius Group meeting. Reed spoke to the group on recent IRS announcements. Topics included:

- Defined Benefit Plans - The IRS continues to issue proposed regulations under PPS, to be effective in 2009.
- Defined Benefit Plans - 2008 AFTAP now overdue. Benefit restrictions are now in place.
- 403(b) Plans - get your ISA in place and get ready for 12/31/08 balances - need them for the 2009 Form 5500! Get ready for audits.
- 401(k) Plans - Have you heard of LaRue?
- Fee disclosures panic the nation!
- DOL creates plan assets in 7 days.
- Technical Corrections to PPA.
- Are you withholding taxes on givebacks after March 15th?
- IRS approves mass submitter documents.



"Celebrating 50 Years of Service Excellence"

**For more information about our services, please call 1-800-524-401K,
or visit our website at www.bcgbenefits.com.**

**Benefit Consultants Group is proud to be
the ISO 9001 Registered TPA firm
for your retirement plan solution.**

