

Retirement Plan Update

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2010 Plan Limits (no changes from 2009)

401(k), 403(b), 457 Deferral	\$16,500
401(k), 403(b), 457 Catch-up	\$5,500
Maximum Compensation	\$245,000
DC Plan 415 Contribution Limit	\$49,000
Social Security Wage Base	\$106,800
SIMPLE Deferral Limit	\$11,500
SIMPLE Catch-up	\$2,500
HCE Compensation Determination	\$110,000
Top-Heavy Key Employee	\$160,000
Defined Benefit 415 Limit	\$195,000
Traditional/Roth IRA	\$5,000
Traditional/Roth IRA Catch-up	\$1,000
SEP Minimum Compensation	\$550

403(b) Plans – Are you ready for 2009 Reporting?

The 2009 plan year marks the first time 403(b) plans will need to complete a full Form 5500 with all relevant schedules. For many of the smaller plans that RPA administers, 2009 will not bring significant changes as we have always treated them much like a 401(k) plan. Large plans, those with over 100 participants, will now have to engage a CPA to perform an independent audit.

Unfortunately, for plans that use individual custodial accounts, 2009 was looking bleak until the Department of Labor released a Field Assistance Bulletin (FAB) in July 2009. Individual custodial accounts, where the plan is not the owner of the account, were posing a problem because some of the account providers do not furnish a plan-level summary of accounts. Additionally, in some instances the account providers were not even able to search their systems to be able to provide individual copies of account statements, or refused to do so because the employer was not registered on the account.

Under FAB 2009-02, individual accounts or contracts that meet all the following requirements do not have to be included as plan assets on Form 5500:

- The contract or custodial account was issued to a current or former employee prior to January 1, 2009

- The contract or custodial account is legally enforceable against the insurer or custodian by the participant without involvement by the employer
- The employee is fully vested in the entire account
- The employer has no obligation to make any contributions to the account after December 31, 2008, including salary deferrals

The exclusion of these accounts is welcome relief as it will substantially reduce the burden of collecting data, and in some cases will keep the participant count below 100 and the employer can file as a small plan. ❖

2009 Form 5500 Must Be Filed Electronically

Beginning with the 2009 plan year, the Department of Labor (DOL) requires that retirement and welfare plans must file their Form 5500 electronically. Although the system, called EFAST2 by the DOL, is not operational yet we can tell you that each individual who signs the Form 5500 and related schedules, must have their own electronic credential assigned by the DOL. Other changes include modifications of some Schedules, a new short form 5500 for certain small plans, and the requirement to scan attachments and audit reports to the electronic filing.

We will provide specific instructions in direct correspondence to our clients once the DOL has finalized its procedures, and when we have developed a system to comply with the new requirements. This notification should come in January or February of 2010. ❖

2009 Required Minimum Distributions Suspended

Due to the economic downturn's affect on retirement plan account balances, a temporary waiver on Required Minimum Distributions (RMD) is available for 2009. This waiver applies to defined contribution plans and IRAs, but not to defined benefit plans. The regulation allows plans to either suspend distributions, continue distributions, or to allow the participant to choose.

Retirement Planners, as sponsor of our prototype and volume submitter plan documents, has elected to suspend RMD's for all of our defined contribution plan clients. Any client that would like to review their options should contact their assigned administrator at RPA by December 9, 2009. ❖

Do you have an enrollment period coming up? Give us a call and we will arrange for a representative from your investment company and/or an RPA representative to attend your enrollment meeting.

Cash Balance Plans

Cash balance plans have become the go-to plan for small and medium size companies to provide owners and/or key executives an enhanced tax-deferred benefit. A cash balance plan, often paired with a 401(k) plan, is a hybrid defined benefit plan where employee benefits are defined based on an employee's age, compensation, retirement date, and employee classification. The main difference is where a defined benefit plan provides the participant an obscure reference to a monthly benefit they may receive in the future, the cash balance plan provides an annual statement showing an account balance.

The best way to demonstrate how cash balance plans work is to provide an example. The following chart shows a doctor's office where we proposed a small profit sharing contribution increase to the staff from their current 5% to 7.5% which then allows the company to make a large cash balance contribution to the owners.

Name	DOB	Salary	EE Deferral	3% Safe Harbor	Profit Sharing	Cash Balance Plan	TOTAL
Owner	1954	\$200,000	\$22,000	\$6,000	\$23,500	\$167,000	\$218,500
Owner	1951	\$121,500	\$22,000	\$3,645	\$25,855	\$120,000	\$171,500
staff	1968	\$108,965	\$667	\$3,269	\$4,903	\$0	\$8,839
staff	1977	\$58,892	\$1,250	\$1,767	\$2,650	\$0	\$5,667
staff	1980	\$68,750	\$3,437	\$2,063	\$3,094	\$0	\$8,594
staff	1976	\$97,984	\$15,500	\$2,940	\$4,409	\$0	\$22,849
staff	1980	\$50,000	\$3,000	\$1,500	\$2,250	\$0	\$6,750
staff	1958	\$70,980	\$3,549	\$2,129	\$3,194	\$0	\$8,873
staff	1969	\$52,000	\$1,517	\$1,560	\$2,340	\$0	\$5,417
staff	1976	\$40,896	\$250	\$1,227	\$1,840	\$0	\$3,317
staff	1983	\$56,002	\$1,900	\$1,680	\$2,520	\$0	\$6,100
staff	1984	\$42,500	\$175	\$1,275	\$1,913	\$0	\$3,363
staff	1979	\$98,000	\$7,840	\$2,940	\$4,410	\$0	\$15,190
staff	1975	\$75,098	\$7,510	\$2,253	\$3,379	\$0	\$13,142
staff	1960	\$72,500	\$15,500	\$2,175	\$3,263	\$0	\$20,938
staff	1979	\$52,800	\$2,207	\$1,584	\$2,376	\$0	\$6,167
staff	1978	\$56,000	\$3,440	\$1,680	\$2,520	\$0	\$7,640
			\$39,686	\$94,417	\$287,000	\$532,844	

Total Employer Contributions: \$421,102.58
 Employer Contributions to Owners: 346,000.00
 Percent of Total to Owners: 82.17%

The following companies are good candidates for a cash balance plan:

- Companies with consistent profit patterns. As a defined benefit plan, cash balance contributions are generally required, not discretionary.

- Companies whose owners or key employees are over 40 years of age and whose staff is on average at least 5 to 10 years younger.
- Companies which desire larger tax deductions and who's principals earn more than \$200,000 per year

Even though a cash balance plan provides participants with an annual account statement, the interest crediting rate is fixed with the plan document and investment risk is borne by the employer. The plan's assets are held in a pooled account and should be invested conservatively to earn an amount equal to the 30-year treasury rate.

Although cash balance plans cost more to set up and annually administer than a 401(k) plan, the tax savings and retirement benefits more than outweigh this extra cost. If you want to know more, or if you want to see how a cash balance plan might benefit your company, please give us a call. ❖

Reminders & Tid-bits:

Amend Your Plan Document

If a trustee needs to be added or removed from the plan document an amendment must be done. Other common amendment triggers include changing the company name and acquiring another company.

Summary Plan Description (SPD)

You must give a copy of the SPD to every newly eligible participant within 90 days of their entry into the plan. Let us know if you need a pdf copy sent to you.

Fidelity Bond

A Fidelity Bond protects the plan assets against fraud. Not having a Fidelity Bond can subject even the smallest of plans to a costly annual audit. The bond must be no less than 10% of assets or a minimum of \$1,000. The maximum required bond amount is \$500,000, although there are some exceptions where the maximum may be higher when employer stock or non-qualifying assets are held.



Paybridge, the payroll arm of Retirement Planners, provides integration between 401(k) and payroll data to make your job easier. Payroll contribution files can be easily transmitted to your investment provider, and year-end census data is easily captured by Retirement Planners. Call Michael Fisch for more details at 1-877-300-4501 ext. 216 or michael.fisch@paybridgeusa.com.

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