

# Retirement Plan Update

Issue 21

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## 2011 Plan Limits (no changes from 2010)

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

## In-Plan Roth Conversions Now Permitted

Effective September 27, 2010 the Small Business Jobs Act of 2010 allows 401(k) and 403(b) plans to offer conversions of eligible accounts to a Roth account. A plan must first contain the Roth deferral provision in order to permit conversions. A plan cannot simply establish Roth accounts for the sole purpose of allowing participants to convert their eligible accounts.

Only participants who have attained age 59½ may convert their pre-tax deferral account, as well as their Safe Harbor and QNEC accounts. Vested employer contributions may be converted at any age provided the contributions have been in the plan for at least two years, or the employee has been a participant for at least five years. Please note that Safe Harbor and QNEC contributions are subject to the same withdrawal and conversion restrictions as employee deferrals.

In-plan Roth conversions are eligible for the same special treatment that applies to Roth IRA conversions made in 2010. Participants may include the full amount as taxable income in 2010, or they may spread the amount over the next two years. However, the ability to reverse the IRA conversion is not available to in-plan Roth conversions. Additionally, pre-death required minimum distribution rules still

apply to in-plan Roth conversions, whereas Roth IRAs are not subject to the minimum distribution requirements. The 10% penalty for early withdrawal from a plan (pre-age 59½) does not apply.

If you are interested in adding In-Plan Roth Conversions to your plan please contact your assigned administrator for more information. ❖

## New Fee Disclosure Rules for Participants

The Department of Labor released new participant disclosure rules which take effect for most plans on January 1, 2012. The new rules require plan sponsors to make the four disclosures outlined below. Most, if not all, of these items will be, or already are, disclosed on your current Summary Plan Description (SPD) or on quarterly participant statements provided by your investment provider.

### Annual General Plan Disclosure

General plan information must be provided to each participant on or before the participant, or beneficiary, becomes eligible to participate in the plan and annually thereafter. The general plan information disclosure must include a description of (i) how participants may give investment instructions, (ii) the limitations on investment instructions (including restrictions on transfer to and from a designated investment alternative), (iii) the exercise of voting, tendering and similar rights, (iv) the specific designated investment alternatives offered under the plan and (v) any designated investment managers to whom participants may give direction. Participants must be notified of any material change to these terms no later than 30 days after adoption of the change.

### Annual and Quarterly Disclosure of Plan Expenses

The plan must provide an explanation of any fees or expenses that are assessed for services rendered on an individual participant basis (e.g., loan fees, withdrawal fees, QDRO fees, investment advice services). This disclosure must be delivered on or before the date on which participants can first direct their investments and annually thereafter, and at least quarterly the participant must receive a statement showing the actual amount charged to the participant's account during the preceding quarter.

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**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.**

### Annual and Quarterly Disclosure of Administrative Expenses

The plan must provide an explanation of any fees or expenses for administrative services (e.g., accounting, legal, recordkeeping) that are not included in investment-related fees and are charged to the participant's account. The disclosure must describe how the fees are allocated to a participant's account, and the disclosure must be delivered on or before the date on which participants can first direct their investments and annually thereafter. In addition, at least quarterly participants must receive a statement showing the actual amount charged to the participant's account during the preceding quarter. The statement must also indicate whether any administrative expenses for the preceding quarter were paid from one or more of the plan's designated investment options (e.g., revenue sharing or 12b-1 fees). This is a general statement that administrative expenses may be paid by investment alternatives and not a requirement that actual dollar amounts be disclosed.

### Annual Investment Disclosure

On or before the date on which participants can first direct their investments and annually thereafter, the plan must provide the following information in a comparative format for each of the plan's designated investment options:

- a) Name and category of the fund.
- b) A website where additional information may be found.
- c) For investment options that have a fixed return, the annual rate of return and term of the investment.
- d) For investments with a variable rate of return, performance data, including 1/5/10-year returns and comparison to appropriate benchmark.
- e) A description of fees charged directly to the participant account (sales loads, redemption fees).
- f) A description of any restriction or limitation on the ability to purchase, transfer or withdraw from an investment option.
- g) The fund's expense ratio expressed as a percentage.
- h) An example illustrating the total annual operating expense of the investment option expressed as a dollar amount for a \$1,000 investment.
- i) A statement that fees and expenses are only one of several factors a participant should consider when making investment decisions, and that fees and expenses can substantially reduce the growth of a retirement account.
- j) A general glossary of terms to assist participants in understanding designated investment options (this requirement may be satisfied by including a Web site address where a glossary may be found).

The DOL is expected to provide additional guidance in the next six months, and we will provide an update in our May 2011 newsletter or through direct correspondence to our clients. ❖

## Reminders & Tid-bits:

### Deferrals Must Be Deposited In a Timely Manner

The Department of Labor provides a seven business day safe harbor for small employers to deposit employee withholdings after each pay cycle. Large employers, those with 100 or more employees, should have their employee withholdings deposited within two to five business days after each pay cycle.

### Employer Contribution Due Dates

Corporations, and LLC's filing as a corporation, with a December 31<sup>st</sup> year-end must deposit their employer contributions by March 15<sup>th</sup>. Partnerships, sole proprietors, and LLCs filing as partnerships, have until April 15<sup>th</sup>. Non-profit organizations have until May 15<sup>th</sup>. Filing an extension for your tax return generally provides for an additional six months (five months for partnerships).

### 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, acquiring another company, and internal spin-offs.

### 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 Requirement

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 and provided to Retirement Planners. Call Tony Chiviles for more details on how we can save you time and money at 1-877-300-4501 ext. 310 or [tchiviles@paybridgeusa.com](mailto:tchiviles@paybridgeusa.com).

