

# Retirement Plan Update

Issue 22

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## 2012 Plan Limits

401(k), 403(b), 457 Deferral	\$17,000
401(k), 403(b), 457 Catch-up	\$5,500
Maximum Compensation	\$250,000
DC Plan 415 Contribution Limit	\$50,000
Social Security Wage Base	\$110,100
SIMPLE Deferral Limit	\$11,500
SIMPLE Catch-up	\$2,500
HCE Compensation Determination	\$115,000
Top-Heavy Key Employee	\$165,000
Defined Benefit 415 Limit	\$200,000
Traditional/Roth IRA	\$5,000
Traditional/Roth IRA Catch-up	\$1,000
SEP Minimum Compensation	\$550

## Form 8955-SSA

Prior to 2009 plans were required to report separated participants with deferred vested benefits (former employees that still have an account in the plan) on Schedule SSA of the Form 5500. The Schedule SSA was removed from the 5500 beginning with the 2009 plan year and replaced with a separate Form 8955-SSA. The IRS was delayed in releasing both the 2009 and 2010 versions of the Form 8955-SSA, however, both are now available with a special filing option to combine both plan years onto the 2009 Form. The due date for filing one or both forms is January 17, 2012.

## Fee Disclosure to Plan Sponsors

In our last newsletter we reviewed the new participant disclosure regulations which have a revised effective date of April 1, 2012. On this same date new disclosure regulations take effect that require service providers to disclose all remuneration they may receive as part of their services to a plan sponsor. The disclosure requirement includes both fees that are directly billed to the plan sponsor, or deducted from plan assets, and also any indirect fees that the service provider collects. Indirect fees can include allowances mutual funds pay to recordkeepers for

daily valuation services, expense reimbursements investment providers pay to TPAs for the assistance the TPA provides in transitioning clients, and many other arrangements.

In the months leading up to April 2012 plan sponsors may receive service contract amendments or updates disclosing additional fee information that was not contained in the original service contract. ❖

## Fee Disclosure Rules for Participants

Although we covered this topic in our last newsletter, the amount of news coverage it is receiving, combined with marketing campaigns aimed at frightening plan sponsors, has prompted us to review the rules again. One change to note from our last newsletter is that the Department of Labor changed the effective date from January 1, 2012 to April 1, 2012.

Most, if not all of these items, will be or already are disclosed 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 the adoption of said 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

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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.**

## New Fee Disclosure Rules... (continued from front)

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. 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).

You can look forward to more information on this issue as investment providers and TPAs are still finalizing how all of this information will be provided to plan sponsors and participants. ❖



## Reminders & Tid-bits:

### Terminated Employees with Balances

Employers with 80 to 120 employees should take some time in December to review how many terminated participants are still carrying balances in the plan. A plan with over 100 participants at the beginning of the plan year, with an exception in certain circumstances of up to 120 participants, must engage the services of a CPA to perform an audit. These audits can cost between \$7,000 and \$15,000 depending on plan size and complexity. So taking some time to chase down a few former employees can save a lot of time and money.

### 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.

### Notify Us of Mergers, Acquisitions, Ownership Changes

If your company is considering acquiring another company, merging with another company, or if the ownership structure will be changing, please notify us as soon as possible. Proper planning prior to finalizing significant events can prevent future problems.

### 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).



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