

pensioninsider.com
TPS newsletter

PROVIDING SUPERIOR SERVICE AND SUPERIOR ADVICE

Consulting Services

- *Design Consultation*
- *Feasibility Study*
- *Employee Survey*
- *Document Design*
- *Communication & Enrollment*
- *Human Resources*

Administration Services

- *Documentation/IRS*
- *Submission*
- *Participant Recordkeeping*
- *Compliance Testing*
- *Discrimination Testing*

National Service Center

3923 East State Street
Rockford, IL 61108
P.O. Box 4247
Rockford, IL 61110-0747
Tel: 815.394.5500
Nat'l. Toll Free: 800.963.5501
Fax: 815.399.9324

www.pensioninsider.com

Non-Affiliated Service Center

(Separate, unaffiliated corporation)
13747 Montfort Dr., Ste. 350
Dallas, TX 75240
Tel: 972.385.0054
Nat'l. Toll Free: 800.464.8805

The Pension Specialists, Ltd.

Retirement Plan Third Party Administrator



SPECIAL EDITION
Pension Protection Act of
2006

The Pension Protection Act of 2006 was signed into law on August 17, 2006.

This law makes several significant changes to retirement plans, some effective as early as 2007.

Some important provisions in this law are highlighted here.

EGTRRA Permanence

Provisions of EGTRRA, which were scheduled to expire at the end of 2010, have been made permanent. For example:

- Catch-up contributions for 401(k) participants over age 50
- Higher contribution limits for 401(k) plans
- Higher deduction limits for profit sharing plan contributions
- Roth 401(k) option
- Saver's tax credit
- Hardship rule changes

Defined Benefit Plan Funding

Many changes were made in the funding rules for defined benefit plans. This will require employers to fund pension liabilities over a seven year period, which is significantly shorter than in the past. This change is effective in 2008.

Automatic Enrollment 401(k) Plans

New automatic enrollment rules are a major change for 401(k) plans. These rules, effective for plan years beginning after 2007, provide a new safe harbor for ADP, ACP and top heavy testing for plans that adopt the "qualified automatic contribution arrangements".

- Safe harbor matching for plans meeting these rules is reduced to 100% match on deferrals up to 1% of compensation plus a 50% match on deferrals between 1% and 6% of compensation
- Notice, withdrawal restrictions and 2 year vesting also applies.
- New correction option allowing for return of deferrals that were

(continued)

Administration Services

- *Actuarial Valuation*
- *Government Filings*
- *Termination Services*
- *Human Resource Administration*
- *Payroll Administration*

Communication Services

- *Group Orientation Meetings*
- *One-on-One Enrollments*
- *DOL 404(c) Compliance*
- *Employee Booklets*

made erroneously during the first 90 days after the employee was automatically enrolled

- Extended corrective distribution period of 6 months (rather than the normal 2-1/2 month period) to avoid the 10% excise tax

Other changes to 401(k) Plans

Some of these changes include:

- New regulations for “default” investment safe harbors to be issued by the Department of Labor (DOL) within 6 months of enactment. Plans will have 404(c) protection if they invest participant funds under the DOL rules when the participant does not make an affirmative fund selection.
- Addition of 2 new statutory prohibited transaction exemptions that will allow for investment advice to plan participants by fiduciaries who are also receiving compensation for securities purchased in conjunction

with such advice. These rules are subject to significant conditions and are effective in 2007.

Other changes

- Terminating plans will now be able to transfer accounts of missing participants to the PBGC
- All company contributions to defined contribution plans subject to maximum vesting schedule (6 year graded, or 3-year cliff)
- Non-spouse beneficiaries will be permitted to roll over distributions made at death of a participant effective for distributions made after 2006
- DOL is required to post all Form 5500’s on their website beginning in 2008

If you have any questions about these tax law changes, please call Customer Service at 800.963.5501 Extension 103.

About ThePensionSpecialists,Ltd.

ThePensionSpecialists,Ltd. is an independent retirement plan administrator. Our mission is to provide the highest quality services to assist clients in reaching their objectives.

Formed in 1987, we have grown to service over 930 employer retirement plans, with services covering over 25,000 plan participants with over \$350 million of retirement plan assets. We consult with clients to implement plans and proactively service them with interactive communication aimed at

maximizing benefits while solving problems. Our in-house staff performs all plan administration.

ThePensionSpecialists,Ltd. provides services to many well known companies, which include broker dealers, investment firms, CPA firms, law firms, medical groups, hospitals, engineers and retail businesses.

For more information about us, access our website at www.pensioninsider.com, or call us at 815.394.5500, or toll free at 800.963.5501.



ThePensionSpecialists, Ltd. continually stresses the importance of issues such as those published in this newsletter. Our specialists make every attempt to share such information directly with our clients through a variety of means including our website and broadcast emails. This newsletter is published as general information and is not intended to constitute legal advice in any manner. Specific information related to these topics can be obtained from the DOL and IRS websites.

