

REPTECH

Customized Employee Benefits Administration

PPA BENEFIT STATEMENT REQUIREMENTS

Inside this issue:

<i>Benefit Statements</i>	1
<i>Automatic Enrollment</i>	2
<i>Have you Heard?</i>	4
<i>Electronic Filing of PBGC Premiums</i>	4

The Pension Protection Act of 2006 (“PPA”) amended the Employee Retirement Income Security Act of 1974 (“ERISA”) to require ERISA pension plans, including 401(k) and 403(b) plans, to furnish pension benefit statements at least once each quarter for participant-directed plans, at least once each year for trustee-directed plans, and at least once every three years in the case of defined benefit plans. PPA also added a new content requirement for those benefit statements.

The Department of Labor (“DOL”) provides guidance on the new benefit statement requirements. Under the guidance, a plan has up to 45 days from the end of the applicable period to provide the required information to all plan participants and beneficiaries. A benefit statement must include the following information:

- (1) total accrued benefits
- (2) the total vested amount or the earliest date on which benefits will become vested. This information must be updated at least once a year. As an alternative, a plan may provide participants with an annual notice that includes information to enable participants to determine the vested amount.
- (3) an explanation of permitted disparity or floor-offset arrangement that may be applied in determining benefits
- (4) the value of each investment in the participant’s account
- (5) an explanation of any investment limitations or restrictions which may be placed on participants and beneficiaries under the plan.
- (6) an explanation of the importance of a well-balanced and diversified portfolio

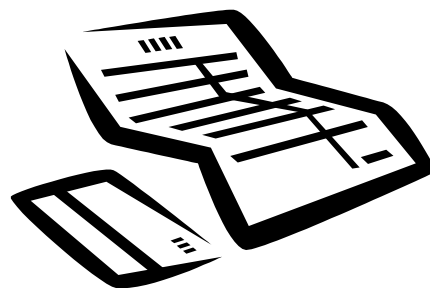
including a statement of the risk of holding more than 20% of the portfolio in any one investment.

- (7) a notice directing participants to the DOL website (www.dol.gov/ebsa/investing.html) for information on individual investment and diversification.

Form of Benefit Statement—Until additional guidance is issued, the DOL will consider a plan that utilizes multiple documents rather than a single benefit statement to have provided the required information in good faith compliance with the rules. However, participants must receive a notice prior to the statement deadline that describes how and when the information will be furnished or made available to the participants.

Compliance Deadline—For defined contribution plans, the new requirements are effective beginning with the 2007 plan year. Thus, for a participant-directed plan with a calendar year plan year, the requirements must be met for the calendar quarter ending March 31, 2007. For defined benefit plans, these requirements are effective beginning with the 2009 plan year. However, if the defined benefit plan elects to utilize the alternative vesting notice, such notice must be furnished no later than December 31, 2007.

Participant Benefit Statements



AUTOMATIC ENROLLMENT—IS IT RIGHT FOR YOUR PLAN?

Recent changes to the financial and legislative environment, as well as waning employer confidence that employees are saving enough for retirement, are prompting many companies to take a closer look at their retirement programs this year, according to a new study by Hewitt Associates.

Companies are planning to become more proactive in their efforts to educate and make it easier for employees to participate in their retirement programs. More than half (58 percent) will automatically enroll employees into 401(k) plans by the end of the year, and approximately one-third (34 percent) already couple or plan to couple automatic enrollment with contribution escalation features. Eighty-five percent offer or plan to offer target maturity/premixed lifestyle funds, and more than half (54 percent) offer or plan to offer investment guidance, enabling companies' employees to receive direction on investment selections based on asset classes. Companies remain skeptical about employees' abilities to take accountability for their own retirement future, and as a result, they will continue to take more aggressive steps to equip workers with tools that help improve their saving and investing habits.

Moving Beyond Automatic Enrollment

According to Hewitt's study, almost one-fifth (19 percent) of companies that already offer automatic enrollment say they plan to increase the default contribution rate, and more than two-fifths (43 percent) plan to change the default investment fund to a Qualified Default Investment Alternative (QDIA), such as a target maturity fund, balanced fund or managed account. Almost 20% plan to apply automatic enrollment to additional classifications of workers, and expand the feature beyond just new hires.

Renewing Focus on Operations and Fund Offers

According to Hewitt's study, 50 percent of companies say they plan to review their defined contribution fund operations, including fund expenses, revenue sharing and communication to employees, and almost half (48 percent) will conduct a comprehensive review of fund offerings. Just 12 percent, however, said they were very likely to find ways to reduce the costs of funds they offer.

"Increased employer focus on defined contribution operations may be, in part, a reaction to increased attention by government agencies on plan fees and disclosures as well as recent lawsuits filed against companies for claimed violations in this area," said Hess. "It's particularly encouraging to see more companies focusing on fund expenses, since they can make up the largest portion of a 401(k) plan's cost. However, we'd like to see more companies take the initiative to assess and reduce these costs, particularly since they can make a significant impact in increasing employees' retirement nest eggs over time."

Other Key Findings

- Almost 60 percent of companies (57 percent) already offer or are very likely to offer automatic rebalancing in 2007, up from 47 percent in 2006.
- About one in 10 companies (12 percent) added a Roth 401(k) in 2006, and 11 percent said they were very likely to do so in 2007.
- Forty-three percent of companies say they offer or are very likely to add third party investment advisory services, and nearly one in five offer or plan to offer an in-person investment adviser.

- One quarter of companies offer or plan to offer managed accounts by the end of 2007, which is consistent with last year.

Consistent with previous years, the majority of companies say they plan to make no changes to their company match (78 percent). Eight percent say they plan to add/increase the company match, and only 1 percent plan to reduce or eliminate the company match.

It is important to review your plan. Perhaps automatic enrollment makes sense for your employees. Have you selected a Qualified Default Investment Alternative for those employees who do not want to select an investment option? If you feel that it is time to take a closer look at your Plan and you would like some assistance, please contact your Pension Analyst at REPTECH and we will be happy to discuss these issues with you.



FOOD FOR THOUGHT

Since restatement of documents will occur between today and 2009, now is a good time to consider plan design changes.

- Have the demographics of your company changed in the last couple of years?
- Have you thoroughly considered the benefits of ROTH 401(k), and adding ROTH 401(k) to your plan?
- Are Highly Compensated Employees interested in contributing more assets to the plan?

REPTECH has experienced an increase in clients considering and implementing Cash Balance plans in 2006 and 2007. Below is a reprint from *Plansponsor* that illustrates



DoL Data Book Reflects Boost in Cash Balance Offerings

April 13, 2007 (PLANSPONSOR.com) – A new U.S. Department of Labor (DoL) publication of 2004 pension data shows a continued decline in the overall number of plans for the fourth year in a row, but a 30% leap in the roster of cash balance programs.

According to the bulletin, which includes the latest available data, the total number of pension plans lost ground in 2004 by 2.4%, to 683,000 plans. The cash balance plan increase was mostly due to a rise in the number of small plans.

The DoL data also reflects the now-well documented shift away from defined benefit and toward defined contribution plans, with a doubling of the amount of DC contributions made by employees since 1978 when 401(k)-type accounts were authorized. Workers put in 29% of the DC contributions then, but financed nearly 60% in 2004.

401(k) plans continued to grow in number in 2004, increasing from 404,000 to 419,000. The number of active participants grew slightly from 43.6 million to 44.4 million.

Highlights of the data report also included, according to the DoL:

- DB plans increased by 1%, while DC plans fell by 2.7%. The decline in DC plans was led by a 30% giveback in the number of money purchase arrangements, which follows a 34% decrease in 2003.
- Between 2003 and 2004, the total active participant count decreased slightly for the second year, from 73.1 million to 72.7 million. The number of active participants in DB plans decreased for the fifth year, by 3.3% in 2004.
- Total pension plan assets reached \$4.7 trillion in 2004, besting the previous high of \$4.4 trillion in 1999. DB plan assets grew by 8.5% to \$2.1 trillion, while DC plan assets decreased by 12.2% to \$2.6 trillion. 401(k) plans grew 14% to a total of \$2.2 trillion.
- In 2004, pension plans disbursed \$333.3 billion for payment of benefits, with \$140.4 billion being disbursed from DB plans and \$192.9 from DC arrangements.

The DoL's Private Pension Plan Bulletin - Abstract of 2004 Form 5500 Annual Reports, published by the DoL's Employee Benefits Security Administration, was developed using data from 2004 Form 5500 annual plan filings.



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PBGC DEFINED BENEFIT PLAN CLIENT ELECTRONIC FILING REQUIRED

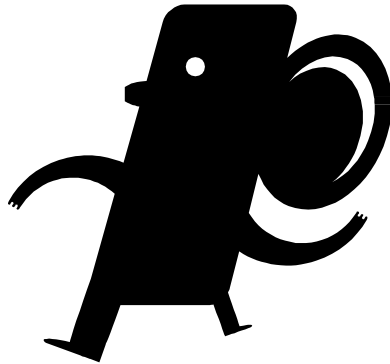
The Pension Benefit Guaranty Corporation (PBGC) announced it will publish a rule requiring sponsors of insured defined benefit pension plans to submit their premium filings to the agency electronically. Under a final rule and effective July 1, 2006, all plan sponsors must file premiums electronically for plan years beginning on or after January 1, 2007. The PBGC urges all premium filers to "e-file" before being required to do so.

Since first offered on a

voluntary basis for plan years beginning in 2004, the PBGC's online application, My Plan Administration Account (My PAA), has afforded pension practitioners the means to prepare and submit premium filings and payments electronically. The e-filing options have since been expanded to permit practitioners to use compatible private-sector software to prepare filings for electronic submission. My PAA processes all types of premium filings (Form 1-ES, Form 1-EZ, Form 1, and

Form 1 with Schedule A). If a payment is due, My PAA allows filers to pay via ACH, electronic check or credit card and select a payment date. Payment may also be made outside of My PAA, such as by paper check or wire transfer.

We will be setting up My PAA accounts for all clients. You will be required to get a user name and password so that you can both certify the filing and select the method of premium payment.



HAVE YOU HEARD?

Have you heard? The IRS recently announced higher retirement account contribution limits for 2007. Effective January 1, 2007, the maximum amount workers can contribute to their combined 401(k) and Roth 401(k) employer-sponsored retirement account is \$15,500.

It's also worth noting that the recently enacted Pension Protection Act permanently extended tax rules that had been scheduled to expire after 2010, including those allowing increased contribution limits on employer-sponsored retirement plans and "catch-up contributions" that workers 50 and older can make. The Act also makes permanent the Saver's Credit, which provides individuals and married couples in certain tax brackets a nonrefundable credit of up to \$2,000 on their income tax for contributing to a retirement plan or IRA. This rule was originally set to expire at the end of tax year 2006. ■