

EFAST2 for 2009 Plan Years

Effective with the 2009 5500 forms - electronic filing will be mandatory.

Transmitter and E-Signature Credentials: EFAST2 requires that all transmitters as well as those who e-sign Form 5500 apply for authentication credentials. Filers will be sent a postcard in December 2009 announcing the ability to apply for credentials using the internet registration (IREG) system beginning in January 2010.

New Filing Option for Certain Small Plans:

The new Form 5500-SF (Short Form Annual Return/Report of Small Employee Benefit Plan) will appear to simplify the filing, but in reality, it collects nearly the same information as the current form and schedules. The condensed report is only two pages.

Non-EFAST2 Forms:

Form SSA, replacing the current Schedule SSA, will be processed directly with IRS for plan years beginning in 2009 and later. The reason behind this is that the public disclosure nature of the 5500 filing is in direct conflict with the social security numbers listed on schedule SSA.

We will provide more information as it becomes available - there is much uncertainty in how this will actually work at the moment - and work directly with plan sponsors in filing the forms electronically in 2010 and beyond.

The vast majority of office paper products sold in the United States still contain zero recycled content. We are proud to announce that in 2009, we have switched to recycled paper stock, with 30% post-consumer fiber.



Even a small amount of recycled content is environmentally preferable because it helps to reduce waste, decrease pressure on forests and lessen energy, greenhouse gases and water and air emissions.

The IRS has released the 2010 cost-of-living adjustments to retirement plan limits. Due to low inflation in the recessionary economy, nearly all dollar limitations on benefits, compensation and contributions will remain unchanged. In addition, the



WATCH FOR THIS

Social Security Administration has announced that monthly Social Security benefits will not increase in January 2010 - this will be the first year without an automatic cost-of-living adjustment since they went into effect in 1975. See the table at the bottom of page 2 for the actual dollar limitations.



CONCERNED ABOUT SENDING DATA ATTACHMENTS VIA E-MAIL?

We now have an alternative! SecureFileX is an Internet-based service that enables TPA firms to easily exchange data and information.

There is no software to download or maintain and virtually no learning curve.

It offers a convenience similar to email attachments only with far greater security.

Sensitive employee data is transferred using the latest in encryption technology making SecureFileX ideal for sending the following files: Payroll reports, census data, distribution forms, compliance reports, anything containing employee social security numbers. To get a user account, contact your administrator or simply send request to mail@papensionplanners.com.

WORD OF THE DAY - "LEAKAGE"

This refers to the huge amounts of employees' 401(k) money that is being drained out of the system. The three main causes of leakage are (1) participant loans, (2) hardship withdrawals and (3) terminated employees "cashing out" their 401(k) plans instead of rolling over into their IRA or new employer's plan. Now that 401(k) plans have become the primary retirement plan for the majority of workers, there is a big concern that employees will be reaching retirement without enough money to retire at a decent standard of living. Both the Department of Labor and Congress are very concerned with this. Expect to hear a lot more on this issue.



RETIREMENT SYSTEMS AROUND THE WORLD



Look at national retirement systems around the world, and you'll see slight variations on familiar points: how much money goes in, who controls it and how retirees ultimately receive it. But one recurring theme? Employees around the globe tend to give more, percentage-wise, to their retirement than Americans do — sometimes a lot more.

AUSTRALIA: Retirees receive a government-funded Age Pension, depending on how much they have had in assets and income (the fewer assets, the greater the Age Pension). Citizens also participate in the Superannuation system, which requires that employers contribute 9 percent to worker's accounts, which workers can later receive as a lump sum. One problem with this approach is the systems create incentives to retire early and hide your assets so that you qualify for a higher Age Pension.

THE NETHERLANDS: Called a collective defined contribution plan, this system is a hybrid of pensions and 401(k)-style plans. Employers make contributions, but the funds are all pooled and managed by professionals, not the individuals. If there is a shortfall, the risk is shared, and the government can back it up. Some reports say that Dutch retirees can nearly replicate their old income.

CANADA: Our northern neighbor has a two-pronged system: there's Old Age Security, which gives most Canadian retirees a monthly payment of about C\$500 (less for some higher incomes), and the Canada Pension Plan, in which workers are mandated to contribute about 5 percent of their gross income (and which employers then match) to a nationally administered pension.

CHILE: Launched in 1980, Chile's retirement system is, some say, the embodiment of privatized Social Security: 10 percent of a worker's salary is deducted and put into one of six privately managed pensions; workers pay fees, but also get to choose among different pension administrators.

SWEDEN: Versions of this "notional defined contribution plan" have already been adopted by Poland and some other eastern European countries. In Sweden, workers contribute a whopping 18.5 percent of income to the system, and most of that goes toward paying the benefits of current retirees, while a small part is put in individual accounts that employees can direct themselves, sort of like a 401(k).

Did you ever hear the timeless expression "***Neither a Borrower Nor a Lender Be***"? When a retirement plan participant initiates a plan loan, he/she becomes BOTH, by borrowing money from their retirement plan and lending it to themselves.

But what happens if employment is terminated prior to the loan being paid off? All of our loan setup agreements stipulate that the unpaid balance of principal and interest shall become immediately due and payable at the maturity date of the amortization schedule or the date on which the undersigned ceases to be employed, *whichever date occurs first*.

It is the Plan's responsibility to identify and report all participant loans that need to be defaulted and/or deemed distributed. The record-keeper then issues form 1099-R to the IRS and to the affected participant reporting the unpaid balance as taxable income for the current year.

PLAN LIMITS TABLE	2008	2009	2010
401(k) Elective Deferrals	\$15,500	\$16,500	\$16,500
Catch-up Contributions	5,000	5,500	5,500
Defined Benefit Plans	185,000	195,000	195,000
Defined Contribution Plans	46,000	49,000	49,000
Annual Compensation Limit	230,000	245,000	245,000
Highly Compensated Employee	105,000	110,000	110,000
SIMPLE Retirement Accounts	10,500	11,500	11,500
SIMPLE Catch-up	2,500	2,500	2,500
SEP Coverage	500	550	550
SEP Compensation	230,000	245,000	245,000
Social Security Wage Base	102,000	106,800	106,800



RETIREMENT MILESTONE: for the first time, the majority of Fortune 100 companies now offer new salaried employees only a defined contribution type plan, such as a 401(k) plan. New and younger employees will be the first generation to rely exclusively on 401(k) plans for their retirement savings.