ĒkonBenefits
YOUR TRUSTED PARTNER

"EGTRRA" Amendments

This will be the last year discussing the Economic Growth and Tax Relief Reconciliation Act, **EGTRRA**, which was passed in 2001 and is generally effective for Plan Years starting in 2002. Almost all of the Defined Contribution Plans have been amended to comply with these rules. If you have adopted our prototype document, you've probably completed the entire restatement process which included a good faith amendment for changes made by the Pension Protection Act of 2006, **PPA**.

Our Defined Benefit prototype plan adopters aren't so lucky. The IRS has yet to approve any Defined Benefit prototypes. Therefore these plans, as well as, non-prototype sponsors must adopt a good faith PPA amendment by the end of the Plan Year beginning in 2009. This means that the PPA amendment was due by 12/31/2009 for calendar year plans.

Individually Designed Plans have a five year cycle that began three years ago to determine the remedial amendment period to comply with EGTRRA. However, if a plan sponsor executed an IRS Form 8905 indicating an intention to adopt our Prototype Plan, the Defined Contribution plans must be amended by 4/30/2010 and the Defined Benefit plans will have until 2 years after the IRS approval, which is still pending. We'll keep you informed.

EFAST2

Beginning in 2010, several changes have been made to the Form 5500 filing process, most notable of which is the requirement to sign and submit all filings electronically. We will be working with sponsors and other providers to make the transition to the new requirements as smooth as possible.

401(k) Contribution Depositing Requirements

Under DOL rules, 401(k) contributions must be deposited as soon as possible, but not later than 15 business days after the end of the month for which they were withheld. Under proposed DOL rules for plans of less than 100 participants, contributions would be timely if made by the 7th business day after they are withheld from wages. Although the DOL proposed regulations did not address a safe harbor for plans of more than 100 participants, the DOL believes that such plans should be able to deposit even sooner than the 7th business day. All companies should be depositing 401(k) contributions as soon as possible after each payroll. Multiemployer plans may have less stringent requirements if made pursuant to a Collective Bargaining Agreement.

Roth Conversions

Beginning in 2010 there are no income restrictions on converting a pre-tax Traditional IRA to an after-tax Roth IRA. The down side is that taxes are due on the conversion. However for conversions in 2010, a special rule allows the taxes to be paid in equal installments in 2011 and 2012. The main advantage of a Roth is tax-free distributions. Also Roths are not required to make minimum distributions at or after age 70½. Roth conversions are not currently allowed inside a 401(k) Plan; however 401(k) providers are lobbying Congress to allow conversions inside the plan to avoid jeopardizing retirement savings by sponsors adding in-service withdrawal provisions to access the funds.

IRS Dollar Limits for Retirement Plans	**2007**	**2008**	**2009**	**2010**
Elective 401(k) and 403(b) Deferrals	$ 15,500	$ 15,500	$ 16,500	$ 16,500
Catch-up Contributions (over age 50)	5,000	5,000	5,500	5,500
Maximum Defined Contribution Limit	45,000	46,000	49,000	49,000
Maximum Defined Benefit Limit	180,000	185,000	195,000	195,000
Maximum Compensation Limit	225,000	230,000	245,000	245,000

Miscellaneous

- It is anticipated for Congress to promulgate legislation on fee disclosure, although it is expected to take at least another year.
- ADP and ACP refunds are now taxed in the year distributed (rather than the year deferred) and GAP period income was eliminated.
- Combinations of Defined Benefit and Defined Contribution are not subject to the 25% aggregate limit if DC contributions are 6% or less. The 25% limit doesn't apply at all if the DB plan is covered by PBGC.
- Contributions must be made by your tax-filing time with extensions to be deductible and must be made within 8½ months of the Plan Year end if subject to Minimum Funding Standards.
- Controlled Groups are treated as a single employer for all retirement plan purposes.
- Sick and vacation pay paid after termination and by the later of the end of the Plan Year or 2½ months should be counted unless you elect to exclude it in your plan document.