



What Features are “HOT” in 401(k) Plans?

Did you know?

- Our last set of survey results was our best ever:
- On average, we received the highest scores possible (very satisfied) in every category, from responsiveness to quality to overall satisfaction!

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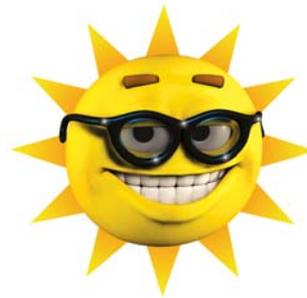
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It seems like change is happening faster than ever in the world of retirement plans. Between the new laws and the crazy stock market, it is hard to keep a handle on everything. If you're looking to make over your 401(k) plan, here are some new features to think about:

Roth 401(k) Option - Surveys show about 25% of plans are now offering a choice for participants to defer part of their savings into a Roth account. A Roth 401(k) is part of a traditional 401(k) plan that allows employees to contribute after-tax dollars without being subject to taxes on future earnings. Unlike a Roth IRA, a Roth 401(k) has no limitations on Adjusted Gross Income (AGI) and a much higher contribution limit.

Automatic Enrollment - Automatic enrollment plans have a positive solution for the indecisiveness of some plan participants. It automatically signs them up

for the 401(k) plan if they don't respond. With some types of Qualified Automatic Enrollment Plans, there is even a required contribution that lets the plan skip some of the manda-



tory compliance testing. This type of plan helps set your employees on the path to retirement savings. You can even set it up to increase deferral contributions each year!

Automatic Rebalancing - This will reallocate the funds in your account back to their original allocation, thus preserving your investment mix. If your plan is on our website, your participants can choose how often they would like to rebalance their ac-

count—and it's totally free!

Life-Cycle or Target Date Funds - Over 26% of plans offer these funds that allow a participant to choose a fund that fits their lifestyle with no stress. A typical fund would invest in more risky options when the participant is younger, but move those holdings to more secure investments as the participant nears retirement.

Qualified Default Investments - Prior law gave no protection to the employer when the plan used a default investment for a participant who refused to submit an investment election. Now, an employer has protection if they pick a fund that fits within the guidelines (a balanced fund, a managed account or life-cycle or target date funds) and hand out the appropriate notices.

Ask us or your investment advisor!

How Does Your Plan Measure Up?

To attract and retain employees, your retirement plan has to offer the same type of benefits as other employers. To give your plan a check-up, take a look at these survey results for micro plans (plans with under \$5 million in assets) from Plan Adviser magazine:

- Participation rate of eligible employees: 70.7%
- When are employees eligible to enter plan:
 - 16.9% - immediate
 - 21.3% - in 3 months
 - 12.8% - in 4 to 6 months
 - 32.8% - after 6 months
- Plans using automatic enrollment: 13.3%
- Plans implementing automatic deferral increase for participants: 6.4%
- Plans that match the participant's 401(k) deferral: 69.6%
- Matching amount is:
 - 4.7% - more than 100% on the first 6% deferred
 - 7.9% - 100% on the first 6% deferred
 - 18.6% - 51% to 99% on the first 6% deferred
 - 27.6% - 50% of the first 6% deferred
 - 41.2% - less than 50% of the first 6% deferred
- Matching is 100% vested in:
 - 23.3% - immediate vesting
 - 6.7% - between 6 months and 1 year
 - 13.3% - between 1 year and 4 years
 - 30.1% - between 4 and 5 years
 - 25.6% - over 5 years

Check to see how your plan stands up to the averages!



The decision will now allow individual participants to sue plan fiduciaries for damages.

LaRue v. DeWolff—What's the big deal?

Perhaps you have seen or heard something about this case in the news. It is a landmark decision from the Supreme Court regarding retirement plans. To understand what the new ruling means, it helps to know what the law was before this decision.

Prior to LaRue, if an individual participant had a loss in a plan due to a fiduciary

breach of conduct, it was difficult to sue the plan sponsor. They would have to make the case that the plan "as a whole" had suffered a fiduciary breach. This might be the case when a fiduciary had made poor investment decisions that affected the entire group, but not necessarily if the fiduciary had ignored an individual participant's wishes.

In LaRue, a single participant claimed to lose \$150,000 in his account only because the plan sponsor did not execute an investment transfer that he submitted. The Supreme Court now acknowledges that this is a legitimate complaint and will allow participants to sue plan sponsors and other fiduciaries even if only one individual is affected.

PLAN DOCUMENT CORNER

We keep writing about it and the time is finally here! New documents have been approved by the Internal Revenue Service (IRS) and now every prototype or volume submitter plan must be amended and restated. Amended and restated means we will need to complete all new forms and generate a brand new document for your plan. But don't worry—we'll guide you each step of the way!

Why do we have to do it? Retirement plans are an important issue. There are many laws that relate to retirement plans and many agencies that administrate those laws. From time to time, changes are made to the laws that must make their way into your plan document. Since it is a requirement for retirement plans to be written documents, this means that the document must change as the laws change.

In the past, the Internal Revenue Service (IRS)

allowed plans to be operated under the new rules and only updated once in a while. The IRS has recently set forth new rules that would require certain types of documents to be completely restated every six years (other types of more complicated documents have to be restated every 5 years).

When do we have to do it? Every prototype and volume submitter plan (the types of plan documents we provide) must be amended and restated no later than March 2010. And again in 2016, and then again in 2022. The six year cycle consists of three components:

1. In the first two years of the cycle, the new plans must be written by the document sponsors and submitted to the IRS.
2. The next two years are for the IRS to review and approve the plans.

3. That leaves the last two years for us to restate your plan.

Should I make any plan changes? We're always on the lookout for ways to make your plan better, so this is a great time to review the plan provisions and make sure everything is working for you.

Do I have to do anything? You'll only have to answer some questions, sign the documents in a timely manner and pass out a new SPD to all plan participants (and pay our invoice, too). 😊

What if I don't want to restate my plan? The IRS would be able to disqualify your plan, causing all money in the plan to be taxable to the participants and all contributions to be non-deductible to the company. Or they might just charge you a hefty fine!

Look for more information coming soon!

Get ready for new plan documents!



“Don't worry—we'll guide you each step of the way!”



Segregation of employee contributions must be made within 7 business days!

In the past, the Department of Labor (DOL) required that plan sponsors segregate employee contributions (deferral and loan repayments) from the general assets of the company as soon as possible but no later than the 15th business day following the date it was deducted from the paycheck. That seemed sim-

ple, but the DOL would conduct plan audits and penalize employers who met the 15 business day portion of the law but not the “as soon as possible” standard. We advised all clients to deposit their employee deductions within 2 to 3 days as that seemed to be the DOL rule of thumb.

Good News! The DOL has proposed a rule that would allow small plans (under 100 participants) to have 7 business days to segregate the employee contributions - no more guessing required. We'll let you know when this law is finalized—but go ahead and segregate those contributions within 7 business days to be safe!!!

New Deposit Rules for Employee Contributions

Quarter 2, 2008



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Fee Disclosure



**Additional fee
disclosure is on
the way!**

Feeling confused about the fees for your retirement plan? You're not alone.

In a Chatham Partners survey, while 77% of plan sponsors thought that fee disclosure was adequate, only 58% of respondents felt confident about their understanding of their plans' overall costs. Additionally, plan sponsors of smaller plans had less understanding of fees than those of larger plans.

You're in good company if you find retirement plan fees confusing. Fees are perplexing to the Department of Labor (DOL) as well. The DOL is calling for greater fee disclosure to both plan sponsors and participants. The DOL is currently working on legislation.

With the amount of time that the DOL is putting into the fee disclosure process, we're sure to have some new requirements.

The questions that are being asked revolve around the level of detail that will have to be provided.

Should fee disclosure be provided to both the plan participants and the plan sponsors? Will the details inform or overwhelm participants? Must the disclosures be provided in a uniform format?

Stay tuned for more information. We'll keep you up-to-date and in compliance!