

# Retirement Plan Update

Second Quarter 2007



## PPA Confusion

As we reported to you earlier, the Pension Protection Act of 2006 (PPA) made several changes to plan administration starting with the 2007 plan year. You may have noticed that your participant statements look different or now have special attachments. These changes were due to PPA.

PPA applies differently to participant directed and Trustee directed plans. Participant directed plans are defined as any plan where all of the money is not directed by the Trustee in the same manner for all participants. A Trustee directed plan is a plan where none of the participants have any direction over their investments.

There are also some plans that we think of as “hybrid plans”, where a portion of the assets are participant directed while some are Trustee directed.

PPA requires special quarterly statements for any plan with participant direction. There are some gray areas here, as there are plans where a few of the participants have account bal-

ances in a group of investments that differ from the rest of the participants. In this case, we need to treat the plan as participant directed and issue quarterly statements. If you would like to avoid quarterly statements (and the corresponding increase in our administration costs), please consider moving all assets into Trustee directed accounts.



Please also note that for plans where there are investments at multiple custodians, some custodians may be preparing quarterly statements, while others may not. For example, a client may have a majority of their assets invested in

mutual funds that are valued daily, while there is also an investment in a Limited Partnership. Since the Limited Partnership is only valued once per year, the participants invested in that partnership still need to receive a statement each quarter that shows their value for that investment. Most likely, the participant will receive four (4) quarterly statements for that invest-

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### Did you know?

Noble-Davis Consulting, Inc, was recently voted one of the top 100 small companies for moms in the United States by Working Mother magazine!

## PPA Confusion (continued)

(Continued from page 1)

ment with the exact same value on it for all of the quarters. Quarterly statements must be prepared for **all assets of the plan**, even if the value may not change each quarter. While the participants may find it very confusing, it is now what is required by law.

Both Trustee directed and participant directed plans require benefit statements that address a large number of issues:

**Notice.** By law, participants must be notified of the reason they are receiving a PPA statement and the fact that they may be receiving multiple statements.

**Vesting information.** The statements must contain vesting information that either shows the current vested percentage and vested account balance, or information that allows a participant to calculate their vested account balance. It also must explain how additional years of vesting can be earned. We have chosen to show the vesting schedule and the definition of a year of vesting service so that we could streamline the reports. Any statements we print will contain the vesting information. Statements printed by other vendors may not show this information. Most vendors are working on a solution to be able to print vesting on their statements in the future.

**Investment Direction Information.** The statements must comment on which investments can be directed and how often they can be modified.

**Integration/Floor Offset.** If the plan allocates contributions on an Integrated basis (also called Social Security offset) or is combined with a Defined Benefit plan that uses a Floor Offset formula, this must be disclosed.

**Diversification.** Standard information regarding the benefits of diversification must be provided, along with a link to the Department of Labor website.

**Underlying Investments.** We are now required to give the participants a listing of all assets that may make up a managed account or trustee directed account. The number of assets in these accounts can be enormous for some plans. However, it is a requirement of the new law.

**Other Changes.** In order to meet the 45 day deadline, we are changing our share plans to a cash basis accounting system. In the past, statements would show a receivable amount for any contributions that were allocated to the plan, but not yet deposited. From now on, these receivable amounts will not be included on our participant statements.

And while we are complying with the current law, we are only working with temporary regulations. The Department of Labor (DOL) must issue final regulation by August 2007, although we've heard

that they may not be ready that soon. That being said, our statements may change dramatically when the DOL issues more regulations later this summer.

Another interesting item about PPA is that the deadlines are set on the calendar year instead of the plan year. As an example, for a 4/30/07 Trustee directed plan, a PPA statement must be issued 45 days after December 31, 2007 (by February 14, 2008). Since there would be no other statement at that time, we are choosing to issue our PPA statements in conjunction with the plan year end statements to avoid confusion by participants and sponsors. We have also been told (informally) by the DOL that they plan on extending the due date for trustee directed plans from February 14, 2008 to a later date.

So plan to get any census request and anniversary forms returned to us as soon as possible! We want to make sure you meet your PPA deadlines with time to spare!



# New Fee Disclosure Rules

Recently, there has been a lot of news coverage regarding fees in retirement plans. There are several current lawsuits brought by plan sponsors against service providers for the non-disclosure of revenue sharing. We'd like to remind you again that 100% of the revenue sharing we collect from our trading partners is used to offset our fees and disclosed on our invoices. In some cases, the revenue sharing collected for a plan is more than the amount of our fees. In this case, we actually write a check to the plan to offset other expenses (such as investment advisory fees) or to be allocated back to participants as a gain.

As you should know, one of the duties of a fiduciary is to insure that any fees paid by the plan are reasonable and necessary. As a fiduciary, you are held responsible for monitoring, understanding and tracking fees paid by the plan to make sure they are reasonable. To do this, obviously you must know the amount of the fees that are being paid. While many fees, like the fees we charge, are billed to you on an invoice, there are other fees that may be taken directly from plan assets without your approval (like investment advisory fees) or fees that decrease the overall earnings of a certain fund (like a mutual fund's internal expenses).

We are currently taking the initiative to obtain a Trustee signature (or other authorized signature) for every fee that we are asked to process for your plan. In the past, if you had a contract with an advisor, for example, we would automatically process the advisory fees that were sent to us. Now, we will be asking for approval for each fee transaction. It's just a way that we can make sure you are aware of the impact of fees on your plan. In the near future, we also plan to detail the fees being paid out of the plan on our participant statements. Currently, on many plans, the fees are

combined with the gains and losses for the plan. We believe that this will be required in the near future, and we want to get an early start on adequate fee disclosure to participants.

The Department of Labor (DOL) is taking a very close look at fee disclosure. While they have been concerned about the fees that are passed on to plan participants for many years, they are currently working on a variety of regulatory and interpretive initiatives concerning fees. They are concerned about adequate disclosure in three categories:

- **Participant**—The DOL wants participants to know what fees were paid from their account. They are also discussing requiring more information to be given to participants about the internal expenses that are taken from many mutual funds. The DOL is aware of the need to balance the requirement of participants to get this information with the burden and cost of trying to communicate this information without overwhelming the participant.
  - **Fiduciary (Plan Sponsor)** - There is also a concern that the Plan Sponsor is actually receiving all of the pertinent fee information from the plan's service providers. The DOL will likely be changing the type and amount of disclosure that service providers need to provide to plan sponsors. (Please note that we recently changed our fee schedule and invoices to outline all of our potential fees so you will never be surprised about our fees.)
  - **Government**—The DOL is also changing the Schedule C on the Form 5500 filed for large plans. It will be required to give much more information on any fees that pass back and forth between service providers.
- Stay tuned! Regulations are sure to be coming later this year!



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We're on the web at [www.noblepension.com](http://www.noblepension.com)  
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If you are interested but do not yet have web site access, log on:

- As a participant using UserID: 222222222 and Password: 2222
- As a plan sponsor using UserID: sponsor and Password: sponsor

## Missing Participants?

Many times in retirement plans, participants terminate and then seem to disappear. However, as a plan sponsor, it is your duty to find them (with some help from your friendly Third Party Administrator, of course).

First, an effort should be made to send distribution paperwork to their last known address. Sometimes, this will provide a forwarding address. However, if that mail is returned with no forwarding address, there are still several other available options.

You can try looking through the lost participant's personnel files and contacting any beneficiary that might be listed on their paperwork. Beneficiaries can often provide a "good" address.

Next, we work with another company to

complete an address search for the participants we can't find. The cost is \$10 per address search.

We can also report lost participants to the IRS by simply providing the IRS with a contact

letter and list of the participants along with their last known address. The IRS then forwards our contact letter to the most current address in their files.

If all of these methods fail, you may still have the option to roll over their

account balance to an IRA. This allows the plan to be relieved of the responsibility for the participant's account and reduces our fees for the plan administration.

Ask your administrator if you have any questions!

