

THE ASPPA Journal

ASPPA's Quarterly Journal for Actuaries, Consultants, Administrators and Other Retirement Plan Professionals

PRESIDENTIAL YEAR IN REVIEW

Coming Home



by Sarah E. Simoneaux, CPC

The word “home” means many things to many people. “Home is where you hang your hat.” “Home is where the heart is.” I have even heard hurricane survivors joke that “Home is where your roof lands.” As I look back on my somewhat tumultuous year as ASPPA President (compliments of Hurricane Katrina), I think the most memorable lesson that my experiences taught me is the importance of feeling a “sense of home.” Interestingly enough, ASPPA played an important role in that lesson.

Last fall, my husband, Peter, tried to turn our “escape from Katrina” trek across the southeast into an impromptu family vacation. As we listened to the increasingly desperate news from New Orleans, Peter pulled into the parking lot of the Biltmore in Asheville, NC. He cheerily bounced out of the car, ready to tour

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FROM THE EDITOR

Emerging Deficit Disorders

by Chris L. Stroud, MSPA


Most of us are familiar with well-known disorder labels such as Attention Deficit Disorder, Obsessive-Compulsive Disorder, various eating disorders, etc. One might wonder, however, if we are entering an era of new emerging deficit disorders because of increased dependencies on technology and the propagation of virtual realities.

Consider this hypothetical situation. (I suspect many of you have had similar actual encounters.) You make a purchase that costs \$11.22. You hand the clerk a \$20 bill, he punches "\$20" into the register and prepares to give you the change. In the meantime, you rummage through your wallet and hand him another dollar and a quarter. (Total amount of cash exchanged: \$21.25) A bewildered look crosses the clerk's face, as he now cannot figure out how to calculate the change due. (Or even worse, you might have handed him an extra \$1.27 because you did not want pennies back, bringing the total cash offered to \$21.27.) As an actuary and a former math teacher, I am deeply troubled when clerks lack the ability to make simple adjustments on the fly regarding change. I have come to refer to this syndrome as "mathematics deficit disorder." Should we be surprised that simple math skills like addition and subtraction are being lost? Scary! After all, many young adults never learn to balance their checkbooks because it is easier to simply go online or stop by an ATM to check their balances. We have calculators on our cell phones, so we no longer need to do math in our heads. What can we do about preserving the lost art of simple math? When paying cash for an item, you can consider it your *duty to society* to offer additional dollars and cents so that the clerk *has to think* about how to make change. Be creative. Challenge them! It will keep your skills sharp too, and it can often add amusement to an otherwise mundane shopping spree.

Consider the following statement from the book *Last Child in the Woods*, by Richard Louv. "Baby boomers...may constitute the last

generation of Americans to share an intimate, familial attachment to the land and water." (By the way, this book is a "must read" for parents and especially for meddling grandparents!) The author writes about saving our children from what he calls a "nature deficit disorder." He believes there is a direct correlation between childhood obesity, depression, physical and emotional illnesses, increased violence and attention disorders and the absence of nature in the lives of today's "wired generation."

Compare your own childhood to that of today's child. I can remember playing outside all around the neighborhood until late at night. Today, fear keeps us from allowing our children such freedom. Not to mention the fact that many of us now have little or no yards anyway and parks are becoming more scarce. Our family vacationed by car, taking in the scenery as we drove. Now many vacation destinations are arrived at by airplane. Even daily driving routines have changed. Many parents now own cars with DVD players in order to have some "peace and quiet" while they drive, substituting a "virtual world" for their children in lieu of the real world outside.

Children need nature in their lives, and it is yet to be determined what will happen to future generations if their senses are deprived of many nature-related experiences. Take a moment to think back to your favorite memories of childhood. I know many of mine involve outdoor family events or vacations that included a lot of sightseeing. Again, how can you make a difference? Allocate time into your busy schedule for a nature outing with a child, and justify it as "therapeutic" for your own well-being as well. I am fortunate enough to live in South Florida. Being an avid nature lover and boater, I have vowed after reading Louv's book that I will do all that I can to make sure that my grand-nieces and nephews, future grandchildren and other children in my life will not be "the last children on the water or in a boat." And whenever we take a child fishing—you can bet that we will pay for the bait with an odd amount of cash—and we will enjoy a lesson in making change, too! 

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PRESIDENTIAL YEAR IN REVIEW

one of America's most iconic mansions. The kids and I trudged wearily behind, preoccupied by thoughts of weeks away from home. Peter led us into the grand lobby, chatting about the history of the house as the rest of us tried to summon up some enthusiasm for the tour. Then I looked up at the various tour offerings, and I lost it!

"Seventy five dollars...times four? Three hundred dollars for a tour of some rich guy's mansion when we might not even have a house to go back to? When you might not have a business anymore? When the city is drowning?" I buried my face in my hands while the teens sprinted for the car, sensing that the ad hoc vacation was over and the visit with their cousins was now at hand. Peter, familiar with the signs of spousal overload, shrugged, smiled and said, "I guess there will be time for other vacations later," and led me to the car.

As I rode away in the car with my family, I realized that my "home" no longer had anything to do with a structure. I felt more at home in the front seat of the car, surrounded by my family, than I did anywhere else. As if on cue, the BlackBerry buzzed with new e-mails from my other "family"—ASPPA. Offers of help, expressions of heartfelt sympathy and concern, and "Where are you?" and "Are you okay?" messages poured in from fellow ASPPA members and staff. That moment defined my presidential (and Katrina) year. It was suddenly very clear to me that the more ASPPA works to provide a home for its members, the more successful ASPPA will continue to be.

My literal homes and my figurative ASPPA homes intersected time and time again in the weeks after the storm. ASPPA members reached out to me and offered their help. I was welcomed into Ilene Ferenczy's home in Atlanta, Chuck McLeod's office in Houston and Sheryl Stucky's home, also in

Houston. The 2005 ASPPA Annual Conference was particularly poignant for me as well as for other ASPPA members from New Orleans and the Gulf Coast, many of whom had not heard about one another since August 29, 2005. As we all grabbed each other in bear hugs, I also noticed hugs among other members who had not lived through our tumultuous couple of months. Over 30% of ASPPA's Annual Conference attendees have been ASPPA members for 15 years or more. I realized that the ASPPA Annual Conference provides an ASPPA home for many of these members, and they look forward to getting together with their ASPPA family year after year.

Home for many of ASPPA's investment professionals means The ASPPA 401(k) SUMMIT, a five-years-young conference with over 1,000 attendees drawn together by an innovative program that addresses their common interests. The conference is spearheaded by its passionate ASPPA "parents"—The ASPPA 401(k) SUMMIT Committee. ASPPA continues to provide for this new family by developing a new credential, the Qualified Plan Financial Consultant (QPFC), and the first credentials were awarded to members of this family this past year.

The QPFC credential, as well as all of ASPPA's other credentials and education and examination programs, are overseen by our academic ASPPA family—the Education and Examination Committee. They work tirelessly to fulfill ASPPA's mission of educating all retirement plan professionals. They are the ones who always get their homework and projects done on time. There are many equally diligent counterparts on ASPPA's Government Affairs Committee, who were assigned the year-long project of the Pension Protection Act of 2006, successfully finished in August of last year.

The Conferences Committee, having created a home for

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traditional ASPPA members and for investment professionals, saw the need to build a stronger home for ASPPA's actuary members. Under the leadership of Past President Stephen H. Rosen, MSPA, the Advanced Actuarial Conference Committee put on ASPPA's inaugural Advanced Actuarial Conference. The conference was a rousing success, both in the number of actuaries attending the meeting and in the meaty actuarial program content. The Conferences Committee members also understand that homes need extended family members. Conference cousins in the ASPPA family included the Western Pension & Benefits Conference, the National Institute of Pension Administrators, the Department of Labor, the Internal Revenue Service and the ASPPA Benefits Councils (ABCs), all of whom joined with ASPPA in co-sponsoring various meetings this past year.

Every home should open its doors to new friends and give them a place to hang out. With over 950 new ASPPA members this year, the Membership and Sales & Marketing committees did their job of opening the doors. Sixteen ABCs gave them a place close to their real homes to hang out. The ABCs provide a critical local presence for education and networking. The success of the ABCs prompted the Membership Committee to think of new ways to electronically link ASPPA's members. The recently introduced ASPPA Discussion Forums and *ASPPA enews* have provided members with an electronic home.

As I watch my physical home of New Orleans fight to rebuild itself, I realize that I now have a deeper appreciation for my family here and for my ASPPA family. They all represent home to me. As the rebuilding process in New Orleans moves forward—and often backward—in fits and starts, I often get asked why we came back to New Orleans

and why we continue to live here. For me, this past year was about coming home. I leave you with the following words about home and family from Anne Rice:

I know that New Orleans will win its fight in the end. I was born in the city and lived there for many years. It shaped who and what I am. Never have I experienced a place where people knew more about love, about family, about loyalty and about getting along than the people of New Orleans. It is perhaps their very gentleness that gives them their endurance.

*They will rebuild as they have after storms of the past; and they will stay in New Orleans because it is where they have always lived, where their mothers and their fathers lived, where their churches were built by their ancestors, where their family graves carry names that go back 200 years. They will stay in New Orleans where they can enjoy a sweetness of family life that other communities lost long ago. ["Do You Know What It Means to Lose New Orleans?"; *The New York Times*, September 4, 2005, Anne Rice]* 



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The American Society of Pension Professionals & Actuaries (ASPPA), a national organization made up of approximately 6,000 retirement plan professionals, is dedicated to the preservation and enhancement of the private retirement plan system in the United States. ASPPA is the only organization comprised exclusively of pension professionals that actively advocates for legislative and regulatory changes to expand and improve the private pension system. In addition, ASPPA offers an extensive credentialing program with a reputation for high quality training that is thorough

and specialized. ASPPA credentials are bestowed on administrators, consultants, actuaries and other professionals associated with the retirement plan industry.

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Election Special—What to Expect from the New Congress

by Brian H. Graff, Esq., APM

Regardless of your party affiliation, this past election day was truly remarkable in its impact. Congratulations to those who were happy with the results and condolences to those who were not. Although the Democratic takeover of the House was expected by many, with only the size of the margin in question, the Senate switch frankly took many of us here in Washington by surprise. I continued my tradition of attending election night festivities of both parties, although admittedly my attendance at the Republican events this year was rather short.

At election time, it always astonishes me how seamlessly our democracy works.¹ In an instant, control over a substantial portion of our government changes without any public violence. Regardless of whether or not you support the individuals currently in power, we are all truly fortunate to live in this country. It is also extraordinary how quickly the city of Washington, DC, adapts to the change in power. Less than 24 hours after the election, the Democrats were already getting all the best tables at all the best restaurants. (I am kidding, but just a little.)

Many ASPPA members have asked me whether the election results reflect some greater ideological swing among the electorate. In general, I do not believe so. Over the last several decades, the country has been split between those with conservative versus liberal points of view. Most close elections have been decided by the independent/moderate voters in the middle. In this election, this critical block of voters lost faith in the Republican leadership. Exit polls showed



Regardless of whether or not you support the individuals currently in power, we are all truly fortunate to live in this country.

that political corruption and concerns about the Iraq war were the first and second factors, respectively, influencing voters' decisions. The Democratic leadership was aware of these voter concerns and promoted moderate candidates in many of the districts taken from Republicans.

Although demographics suggest that the Senate will always be relatively close, and the Senate will likely still be up for grabs in the next election, it would seem that Democrats are well positioned to maintain control of the House for several terms. A lot will depend on their ability to satisfy their core constituencies without alienating the moderates who voted them in (*i.e.*, something many observers believe Republicans failed to do in this past Congress). As always, time will tell and certainly, the upcoming Presidential election will impact this process. But that is a story for another time.

So what do all these changes mean for retirement policy? Well, first the obvious news. Although the three sisters of savings—LSAs, RSAs and ERSAs—will likely be included in President Bush's budget proposal and may be

introduced by some Republican members of Congress, they will go nowhere in a democratically controlled Congress. Any other kinds of significant "tax reform" proposed by the President based on his Tax Reform Commission will also get scant attention. Although Democrats will talk about the need to simplify the tax code, their focus will be more on proposals to improve specific problem areas in the code, like the alternative minimum tax. Any broader, more sweeping proposals will likely need to wait for the next Congress. The same goes for Social Security reform. Private account proposals are simply dead on arrival in the incoming 110th Congress. (They really did not fare well in the last Congress either, for that matter.)

As a practical matter, congressional appetite in the short-term for broad retirement policy initiatives is rather limited given that Congress just passed the Pension Protection Act of 2006 (PPA). With regard to benefits issues, most observers believe the new Congress will instead focus more heavily on health care, with initiatives to broaden coverage and reduce the costs of prescription drugs. That said, there is certainly longer term interest in retirement policy initiatives. The most prominent of these initiatives is a proposal to require all companies (except very small ones) without a qualified retirement plan to at least offer employees the option of a payroll-deduction IRA. We discussed this proposal in detail in a previous issue of *The ASPPA Journal* (May-June 2006). The 110th Congress will likely also look to expand, and make refundable, the SAVER's credit. Proposals to be considered could extend the reach of the SAVER's credit to middle income taxpayers, potentially covering 60 percent of American households. Further, there will

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be discussion of transforming the credit into a true government matching program where the SAVER's credit would have to be deposited into the taxpayer's IRA or 401(k) plan account. It goes without saying that there would be significant administrative hurdles associated with such a proposal.

It is also likely that we will see some initiatives attempting to encourage employers to establish and/or maintain defined benefit plans for their employees. One idea in the early stages of development is a "side-car funding trust" that would allow employers to withdraw excess assets, with a greatly reduced excise tax, provided the base plan is adequately funded. This feature would allow employers to appropriately fund their plans without the fear of the potential excise tax that could result from strong investment performance. In effect, it would provide an investment tax incentive for those companies with a well-funded defined benefit plan. Other as-yet-to-be developed ideas to promote defined benefit plans will no doubt be considered as well.

For those more focused on ERISA Title I issues—fear not, you will hardly be ignored. There is a great deal of interest by core Democratic constituencies, particularly unions and trial lawyers, to examine ERISA remedies issues and potentially relax rules that they have criticized as hampering participant rights. Without a doubt, any possible legislation in this area will be fiercely contested by business groups, reducing the likelihood of maintaining the bipartisan atmosphere currently being promoted by the newly elected Democratic leadership.

In the shorter term, there will likely be a smaller tax package that may accompany an increase in the minimum wage. This potential is relevant since this bill would likely be the vehicle for a package of PPA technical corrections/fixes. The change in congressional control will likely limit in some respects the ability to expand this package beyond pure technical corrections.² So, for example, it is less likely that the investment advice provisions will be clarified in a manner that is favorable to the financial services industry.³ On the other hand, it would appear more likely that the package would include additional airline funding relief sought by American and Continental airlines, which was left out of PPA's airline funding relief provision. Further, PPA's controversial tribal plan provision, which was added at the insistence of former House Committee on Ways and Means Republican Chairman Bill Thomas (CA), and which has resulted in strenuous objections from Indian tribes throughout the country, could possibly be repealed. Other "fixes" to the bill

could arise (ASPPA has a few of its own, in fact), but it remains unlikely that fundamental changes to PPA will be made. PPA did, as you know, pass on a bipartisan basis with 93 senators voting in favor.

The Democratic leadership has made it clear that they want to demonstrate fiscal discipline in contrast to their Republican predecessors. As a result, any tax initiatives pursued by Democrats will likely have to be paid for by other means. One major initiative that has already been discussed is "fixing" the alternative minimum tax (AMT). Democrats are concerned that too many middle income working families are being affected by the AMT. "Fixing" the AMT would likely cost hundreds of billions of dollars in lost revenue. Finding revenue to offset such a proposal will be a major challenge. Proposals to restrict tax preferences for executive compensation beyond the recently enacted Section 409A are already being discussed.

Proposals that may use the private retirement plan system to pay for other tax proposals are naturally of significant concern. Those who have been in the industry for a while may remember all of the damaging provisions that were enacted in the 1980s for the same reasons. Remember, just like today, during that period there was a Republican in the White House and a democratically-controlled Congress. Fortunately, we now have much stronger ties to Democrats in Congress than we did then. With the support of the ASPPA Political Action Committee (ASPPA PAC), we have been able to forge excellent relationships with key Democrats in Congress, allowing us to convey the important role qualified plans play in assisting working Americans to secure a comfortable retirement. Many of these Democrats supported PPA's permanent extension of the EGTRRA retirement savings provisions, reflecting this change in perspective from the 1980s. All that said, it is a new Congress with a new agenda, and ASPPA's Government Affairs Committee (GAC) will, as always, remain vigilant in protecting our nation's retirement plan system. ↗



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1 Putting aside occasional technological lapses with voting machines, which continue to be hard to comprehend, given that the US is the country that invented the computer.

2 Pure technical corrections would include, for example, cross references errors.

3 Instead, it will now be up to the Department of Labor to answer the critical open questions that still exist before the investment advice provision that was enacted in PPA can be implemented.

The New Face of Disclosure for Fees and Expenses

by C. Frederick Reish, APM, and Debra A. Davis

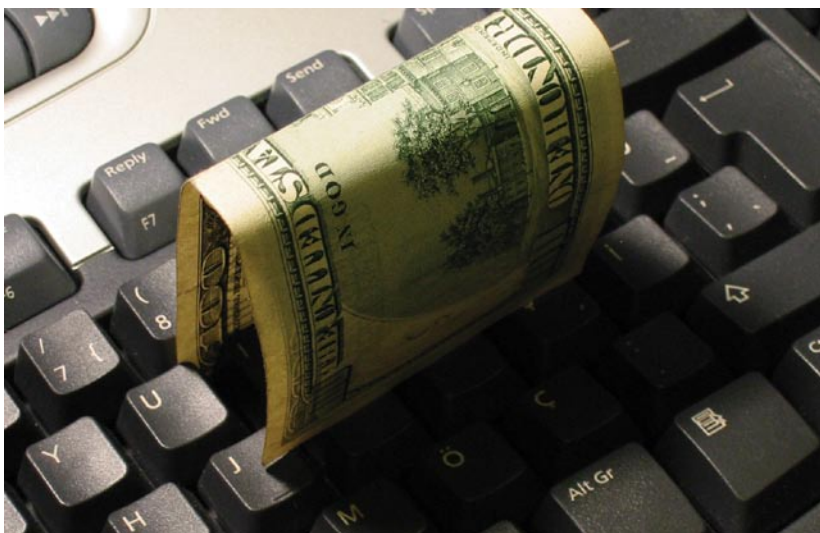
Reporting and disclosure of compensation has never been more important for advisers and providers to 401(k) plans. The Department of Labor (DOL) has demonstrated an increased interest in both the reasonableness and the disclosure of fees by those who provide services to retirement plans. This article discusses the actions by the DOL regarding fee disclosure as well as the recent lawsuits and their impact on advisers and providers (referred to collectively as “service providers”).

Most recently, the DOL's interest in fees was demonstrated through the proposed 2008 Form 5500. In addition, the DOL is working on guidance related to fee disclosure through the interpretation of a statutory prohibited transaction exemption for services provided to plans. Also, the DOL is in the process of updating its model fee disclosure forms and has commenced a national enforcement project that examines plan fees and expenses. If that is not enough, several lawsuits have recently been filed claiming that insufficient disclosures were given to plans and their participants regarding the compensation paid to service providers.

Payment of Expenses With Plan Assets

Expenses are a necessary aspect of maintaining a plan. The Employment Retirement Income Security Act (ERISA) acknowledges this fact and explicitly authorizes plans to pay for certain expenses related to the operation of the plan. [ERISA §§404(a)(1)(A)(ii) and 408(b)(2)]

DOL guidance states that plans may only pay for reasonable expenses. Expenses may only be paid with plan assets, however, if the plan document does not prohibit it. [AO 2001-01A; AO 97-03A] That is, the plan document must either authorize the payment of expenses from plan assets or be silent. As a practical matter, this issue is generally not a problem as most plan documents provide that plan expenses may be paid



from plan assets. Further, if a plan document does not permit the payment of expenses from plan assets, it can be amended to allow future expenses to be paid from plan assets.

The DOL imposes additional requirements, however. [AO 2001-01A] Expenses may only be paid by a plan if they were incurred for the operation of the plan, that is, for “fiduciary expenses.” Generally, fiduciary expenses include costs for activities related to the administration of the plan, the investment of the plan assets and any services for the plan or its participants. For example, fiduciary expenses may include fees for:

- Third party administration, including nondiscrimination testing;
- Investments and changing providers;
- Amending the plan for law changes and submission to the IRS for a favorable determination letter; and
- Participant communications.

[AO 2001-01A; Hypothetical Examples (1/18/01)]

“While some more sophisticated plan sponsors are cognizant of the overall fees, both explicit and embedded, as well as the revenue sharing arrangements between various providers, many plan sponsors simply do not understand the total fees paid to service providers, nor the revenue streams between them.”

Amounts that relate to employer responsibilities, known as settlor expenses, may not be paid by the plan. Settlor expenses typically include amounts for the establishment, design or termination of the plan, and amounts that exclusively benefit the employer. Examples of settlor expenses include fees related to:

- The adoption and/or design of a plan;
- Drafting the initial plan document and amendments for plan design changes;
- Preparation of the employer’s corporate financial statements, even if portions related to a plan; and
- Union negotiations.

[AO 2001-01A; Hypothetical Examples (1/18/01)]

Thus, fees must be reasonable, not prohibited by the plan and relate to fiduciary matters in order to be paid by a plan.

Disclosure of Expenses

Fiduciaries are responsible for deciding whether amounts will be paid out of plan assets. To put it another way, persons who decide that plan assets will be used to pay expenses are fiduciaries. This distinction exists because ERISA includes in its definition of fiduciary a person who exercises any control over the disposition of plan assets (that is, ERISA uses a functional definition). [ERISA §3(21)(A)]

In order for service providers to avoid fiduciary status, plan fiduciaries, such as retirement committees, must determine the amount of compensation to be paid to them. Obviously, fiduciaries can only make this decision if they are aware of what is being paid to the plan’s service providers. Many fiduciaries, however, are not aware of what the plan is paying to its advisers and providers. The ERISA Advisory Council Report of the Working Group on Plan Fees and Reporting on Form 5500 stated “While some more sophisticated plan sponsors are cognizant of the overall fees, both explicit and embedded, as well as the revenue sharing arrangements between various providers, many plan sponsors simply do not understand the total fees paid to service providers, nor the revenue streams between them.” (Nov. 10, 2004)

As a result, service providers who do not disclose their compensation to the plan fiduciaries run the risk of becoming fiduciaries. For example, the DOL found that a service provider would be a fiduciary if it caused itself to receive compensation from plan assets as a result of float if it did not fully disclose this float income to the plan fiduciaries

and limit its discretion over the amount of that income. [FAB 2002-3] The DOL stated the service provider’s “decision to handle plan assets in such a way as to benefit itself [through the receipt of float income] constitutes prohibited self-dealing, without regard to the status of the funds after they are placed in a disbursement or other account...” [FAB 2002-3]

That said, service providers are not generally required by ERISA to disclose the actual dollar amounts charged to the plan. Instead, the onus is on plan fiduciaries to understand the fees in order to determine if they are reasonable. As the DOL explained “The primary issue for service providers... is whether the provider has disclosed to its employee benefit plan customers sufficient information... so that the [fiduciary] customer can reasonably approve the arrangement based on an understanding of the service provider’s compensation.” [FAB 2002-3] Similarly, the DOL stated in the Aetna Advisory Opinion that:

[T]he responsible Plan fiduciaries must assure that the compensation paid directly or indirectly by the Plan to [the service provider] is reasonable, taking into account the services provided to the Plan as well as any other fees or compensation received by [the service provider] in connection with the investment of Plan assets. The responsible Plan fiduciaries therefore must obtain sufficient information regarding any fees or other compensation that [the service provider] receives with respect to the Plan’s investments in each Unrelated Fund to make an informed decision whether [the service provider’s] compensation for services is no more than reasonable. [AO 97-16A]

DOL Oversight of Disclosures

The DOL is currently examining the disclosures given by advisers and providers to plans in several contexts.

National Enforcement Project

The DOL, through the Employee Benefit Security Administration (EBSA), has initiated a new national enforcement project that focuses on the receipt of improper, undisclosed compensation by advisers and providers, known as the Consultant/Adviser Project (CAP). The DOL is focused on consultants who are fiduciaries, either because they explicitly agreed to serve as fiduciaries or have become fiduciaries as a result of their actions (for example, a person who provides investment advice

or has control over plan assets). The DOL states on its Web site that:

EBSA's investigations will seek to determine whether the receipt of such compensation violates ERISA because the adviser/consultant used its position with a benefit plan to generate additional fees for itself or its affiliates. EBSA may also need to investigate individual plans to address such potential violations as failure to adhere to investment guidelines and improper selection or monitoring of the consultant or adviser. The CAP will also seek to identify potential criminal violations, such as kickbacks or fraud. [www.dol.gov/ebsa/erisa_enforcement.html#section8]

Prohibited Transaction Exemption

The DOL has informally indicated that it is in the process of revising the prohibited transaction

exemption for reasonable contracts or arrangements with a party-in-interest, such as a service provider. [ERISA §408(b)(2)] Historically, practitioners have focused on the requirement that the compensation paid as part of the arrangement must be reasonable. The DOL, however, is expected to emphasize the requirement that the overall arrangement be reasonable. It is anticipated that an upcoming proposed regulation will provide that an arrangement would not be reasonable unless the amount of direct or indirect compensation paid to both providers and advisers is thoroughly disclosed. Thus, the guidance would increase the disclosure requirements with respect to the compensation received by the service provider in order for the exemption to apply. The DOL is considering requiring the following categories of information to be disclosed in order to satisfy the exemption: (i) information the fiduciary needs in order to determine if the contract or arrangement is reasonable; (ii) information regarding conflicts of interest; and (iii) information the plan administrator needs for the annual report (see below).

Model Fee Disclosure Forms

The DOL has also indicated that it is in the process of updating its model fee disclosure forms to provide more thorough information for fiduciaries. The current version of the DOL form can be found at www.reish.com/publications/pdf/401k_disclosure_form.pdf.

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New Reporting Requirements

The DOL's interest in fees is also reflected in the revisions they have proposed for the Form 5500. The DOL has recently issued Proposed Amendments and Instructions to the 2008 Form 5500 that would require significant changes in the reporting of compensation paid to both advisers and providers. The biggest changes are for the information reported on Schedule C, which is filed by large plans (*i.e.*, plans with 100 or more participants). As these changes are in proposed form, they may be revised as a result of feedback received by the DOL.

The most significant revisions to Schedule C relate to the reporting of compensation. In the EBSA Proposed Rule related to Annual Reporting and Disclosure, the DOL states "EBSA's proposal...would revise the Schedule C and accompanying instructions to clarify the requirements regarding reporting of direct and indirect compensation (*i.e.*, money or anything else of value) received during the plan year in connection with services rendered to the plan or the person's position with the plan." The 2008 Instructions state that reportable compensation includes:

[M]oney or any other thing of value (for example, gifts, awards, trips) paid by the plan or received from an entity other than the plan or the plan sponsor by a person who is a service provider in connection with that person's position with the plan or services rendered to the plan.

The 2008 Instructions also provide the following examples of indirect compensation: [F]inders' fees, placement fees, commissions on investment products, transaction-based commissions, sub-transfer agency fees, shareholder serving fees, 12b-1 fees, soft-dollar payments and float income. Also, brokerage commissions or fees (regardless of whether the broker is granted discretion) are reportable whether or not they are capitalized as investment costs.

Additional information must be reported for fiduciaries and certain service providers who received \$1,000 or more in compensation from an entity other than the plan or the plan sponsor. This requirement would include information about the entity, as well as the amount paid and the nature of the compensation paid.

Note that amounts reported on Schedule A for compensation paid by insurance companies are not reported on Schedule C.

The 2008 Instructions provide details regarding the manner in which compensation received in connection with several plans and bundled services should be reported. For multiple plans, the compensation is reported for each plan if the reportable compensation is "due to a person's position with or services rendered to more than one plan...unless the consideration can reasonably be allocated to services performed for the separate plans..." The 2008 Instructions provide the following example that, although it references an investment adviser, would also apply to providers:

[I]f an investment advisor working for multiple pension plans and other non-plan clients receives a gift valued in excess of \$1,000 from a securities broker in whole or in part because of the investment advisor's relationship with plans as potential brokerage clients, the full dollar value of the gift would be reported on the Schedule C of all plans for which the investment advisor performed services. On the other hand, if a securities broker received incentive compensation from an investment provider based on amount or volume of business with the broker's clients, the Schedule C of each plan could report a proportionate allocation of the incentive compensation attributable to the plan. In such cases, any reasonable method of allocation may be used provided that the allocation method is disclosed to the plan administrator.

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With the sunshine effect of complete disclosure, fiduciaries can make better informed decisions for their plans and participants.

The new requirements for bundled services will primarily impact plan providers. For bundled services, the bundled amount does not generally need to be allocated on a service-by-service basis, except for investment providers whose fees are paid on a per transaction basis, such as for brokerage fees. Amounts must also be broken out, however, if they are paid to fiduciaries or persons who provide one of the following services to the plan: “contract administrator, securities brokerage, insurance brokerage or agent, custodial, consulting, investment advisory, investment or money management, recordkeeping, trustee, appraisal or investment evaluation.”

The 2008 Instructions also provide that the plan administrator must specify whether an amount reported on Schedule C is an estimate. If an estimate is used, the formula for calculating the amount must be reported.

Additionally, plans are required to provide information to the DOL on the Form 5500 about every fiduciary and service provider that failed or refused to provide any of the information needed to complete Schedule C. (A similar requirement will apply to the Schedule A.)

As a result of these changes, significant additional information would need to be reported about the direct and indirect compensation paid to service providers. For persons who fail to disclose this information to the plan, detailed information will be reported on Schedule C, which may be used by the DOL to open an investigation on this basis.

Participant Inquiries Regarding Disclosures

Several lawsuits have been filed that allege that insufficient information regarding the compensation paid to advisers and providers was given to plans and their participants. The suits allege that participants were not told the amounts they were paying in fees and expenses, who was receiving revenue sharing payments, whether the expenses incurred were reasonable and whether the amounts paid only benefited participants. Additionally, the participants have alleged that less expensive mutual fund share classes should have been used (that is, investments with lower expense ratios) and that the fiduciaries should have known about and collected revenue sharing paid by the plan.

It is too soon to determine the outcome of this litigation. It is important to note, however, that participants, as well as the DOL, are focused on fees.

Conclusion

With respect to fees, the best defense is a good offense. That is, advisers and providers can protect themselves by adequately disclosing the amount of compensation they receive, including both direct and indirect compensation.

With the sunshine effect of complete disclosure, fiduciaries can make better informed decisions for their plans and participants. Service providers who thoroughly disclose their fees will also have a market advantage—that is, fiduciaries will be more likely to select providers with whom they do not need to struggle to get the information they need to do their jobs. ↗



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Improving Retirement Security in America: Bridging the Generation and the Savings Gaps

by Catherine Collinson

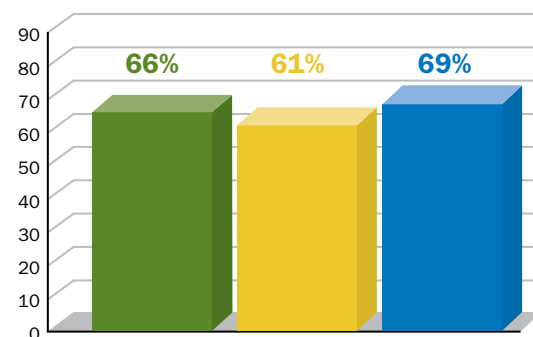
Turn on the television or log onto the Internet these days and you will be bombarded with advertising and news stories geared toward the tidal wave of Baby Boomers who are nearing their retirement years. But when it comes to retirement savings, Baby Boomers are not the only generation that deserves attention. Younger generations have opportunities for increasing their retirement security, too.

The Transamerica Center for Retirement Studies' 8th Annual Retirement Survey (Survey)¹ explored America's attitudes and behaviors surrounding retirement savings and employer-sponsored retirement plans. While crazy fashions, strange behaviors and loud music are how our society often likes to recognize generational differences, the Survey results found that—beyond a common need for a greater understanding on how to properly save for retirement—distinct generational differences also exist in attitudes and behaviors towards retirement.

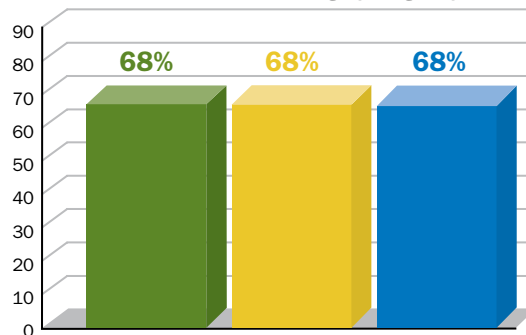
A Common Starting Point

Regardless of age, the Survey found a relatively high level of agreement among all generations² when questioned on whether they agree that they are building a large enough retirement nest egg. On a cautionary note, however, the Survey also found that the generations share a lack of knowledge about retirement investing.

Do you agree that you are building a large enough retirement nest egg? (% Agree)



I don't know as much as I should about retirement investing. (% Agree)



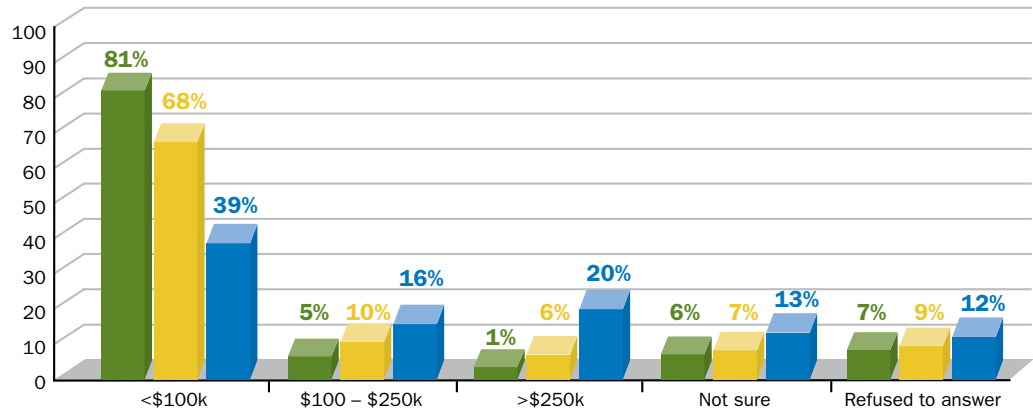
■ Echo Boomers ■ Gen Xers ■ Baby Boomers

¹ The Transamerica Center for Retirement Studies (The Center) is a collaboration of experts assembled by Transamerica Retirement Services to promote public awareness of emerging trends surrounding retirement security in the US. The Center's research emphasizes employer-sponsored retirement plans, issues faced by small- to mid-sized companies and their employees and the implications of legislative and regulatory changes. For more information about The Center, please refer to www.ta-retirement.com/thecenter. Transamerica Retirement Services (Transamerica or TRS), a marketing unit of Transamerica Financial Life Insurance Company and other of its affiliates, specializes in the promotion of retirement plan products and services.

This Survey was conducted by Harris Interactive on behalf of the Transamerica Center for Retirement Studies via telephone among 1,402 US workers (including 185 Echo Boomers, 370 Gen Xers and 628 Baby Boomers), using a nationally representative random sample. Respondents met the following criteria: work full-time for pay at a company with at least ten employees, are age 18 or older and do not work for the government or a non-profit organization. Interviews averaged 20 minutes in length and were conducted between July 27 and October 7, 2006. Data were weighted to ensure representation based on the number of employees at companies in each employee size range. Margin of sampling error for a sample this size at the 95% confidence level is +/- 2.6%.

² Note: Echo Boomers = those born from 1979-1987, Gen Xers = those born from 1965-1978, Baby Boomers = those born from 1946-1964.

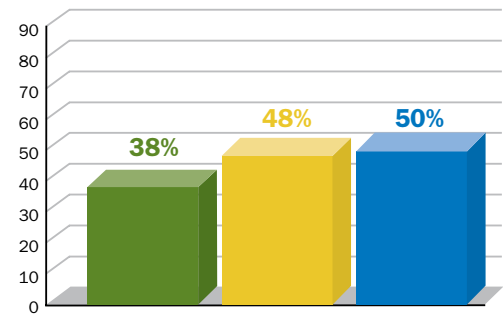
Total Household Retirement Savings



Further, the Survey found that a substantial percentage of workers agree that they could work until age 65 and still not have saved enough to meet their retirement needs. Indeed they may be right given the disconnect between their estimated savings needs and the actual amount they have saved.

These survey results highlight the need for pension industry practitioners to be more proactive in helping adults estimate how much they need to save, as well as addressing the concerns of both plan participants and would-be participants. More specifically, the results indicate that much more education on investing and retirement planning is needed.

I could work until age 65 and still not have saved enough to meet my retirement needs. (% Agree)



Generation-Specific Opportunities

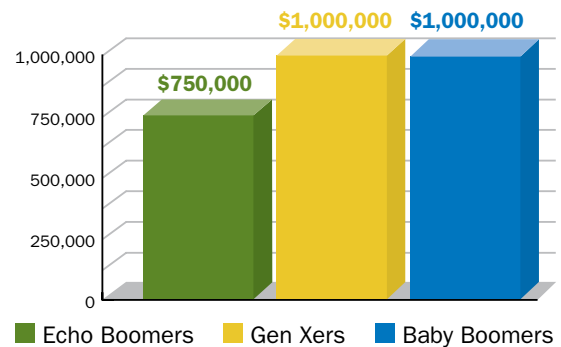
Before considering the generation-specific opportunities for saving and planning for retirement that exist, it is important to recognize that our society's values and beliefs have undergone a major shift over the last 75 years. We have moved from a paternalistic society that embraced Social Security and defined benefit plans with their guaranteed benefits to a do-it-yourself society of 401(k) plans and the high-profile policy debate on Social Security private accounts.

These shifts impact how each generation will need to prepare for retirement. The Survey found generation-specific opportunities for planning and saving for retirement—and the pension industry should note that whatever improvements are made for one generation will ultimately help all generations.

Echo Boomers

The Echo Boomer generation (also called “Generation Y”) encompasses those born between 1979 and 1987. They are of the generation that is still finding its identity—hence both tags referring to older generations. Echo Boomers may be the first truly do-it-yourself generation when it comes to saving for retirement. The state

How much do you believe that you will need to save by retirement in order to feel secure? (Median)



of Social Security in 2046, the year that the first Echo Boomers are currently scheduled to begin to receive benefits at age 67, is highly uncertain. And, unless defined benefit plans regain favor, it is doubtful that Echo Boomers will receive any retirement income benefits from them.

For Echo Boomers, retirement security depends on their ability to save, plan and manage their investments. They have some major advantages in building their retirement savings. Most notably, they have a long time horizon in which to save and invest.



2007 Harry T. Eidson Founders Award Nominations Now Being Accepted

Harry T. Eidson Founders Award nominations for 2007 will be accepted until April 1, 2007. Nominations can be submitted directly from either the Home Page or the Membership Awards and Honors section of ASPPA's Web site at www.asppa.org.

Please note that award recipients need not be ASPPA members.

We encourage you to take the time to nominate a worthy candidate for this prestigious award.



In 1995, ASPPA established the Harry T. Eidson Founders Award to honor the memory of ASPPA's founder, Harry T. Eidson, FSPA, CPC. Eidson was the initial inspiration behind the formation of ASPPA in 1966. Eidson firmly believed in the importance of a private pension system for the United States and was committed to building an organization dedicated to preserving and enhancing such a system. Up to two individuals may be honored annually. There are two award categories, one acknowledging individuals who have made significant contributions to the private pension system and another honoring individuals who have made significant contributions to ASPPA.

The deadline to submit nominations for the 2007 Harry T. Eidson Founders Award is April 1, 2007. We encourage you to take the time to nominate a worthy candidate for either of these two prestigious award categories. Anyone who knows of eligible candidates may submit nominations for the award.

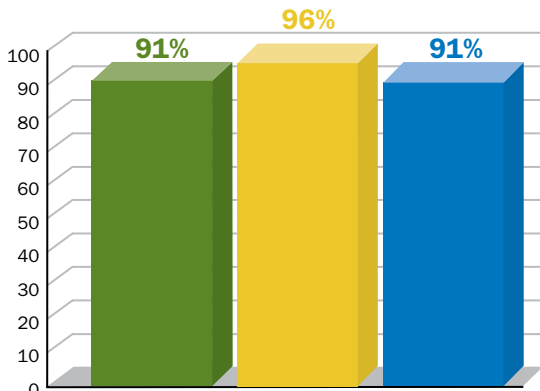
The following criteria are used to determine the nominees for both award categories:

- The contribution must be consistent with the ASPPA mission statement and should have a lasting, positive influence on ASPPA or the private pension system.
- The contribution may be current, one that spanned many years or one made years ago from which ASPPA or the private pension system benefits today.
- The contribution should be a result of time devoted above and beyond reasonable expectations and not a result of time spent primarily for personal gain.
- The contribution may have been made and/or recognized on a national or regional level; however, publicity is not a criterion.

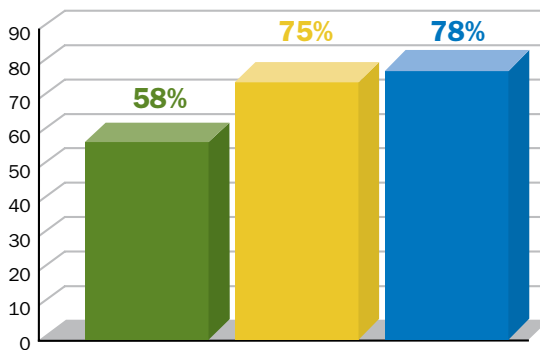


Previous honorees: Janice M. Wegesin, CPC, QPA, and Carol D. Gold, APM, in 2006; G. Patrick Byrnes, MSPA, in 2005; C. Frederick Reish, APM, in 2004; Robert D. Levenson, MSPA, in 2003; Curtis D. Hamilton, MSPA, CPC, in 2002; Ruth F. Frew, FSPA, CPC, in 2001; Leslie S. Shapiro in 2000; Howard J. Johnson, MSPA, in 1999; Andrew J. Fair, APM, in 1998; Chester J. Salkind in 1997; John N. Erlenborn in 1996; and Edward E. Burrows, MSPA, in 1995.

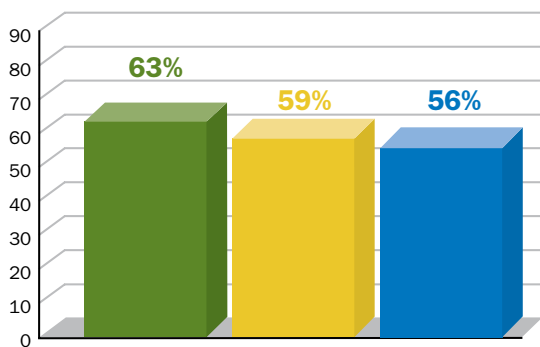
Importance of 401(k) or employee-funded retirement plan as an employee benefit (% Important)



Do you currently participate in your company's employee-funded retirement plan? (% Yes)



I would like to receive more information and advice from my employer on how to achieve my retirement goals. (% Agree)



- Echo Boomers
- Gen Xers
- Baby Boomers

The Survey found that Echo Boomers, America's youngest workers, are off to a good start. Ninety-one percent believe that a 401(k) or other employee-funded retirement plan is an important benefit, and 58% who have access to a retirement plan indicated that they participate.

Results from the Survey show that Echo Boomers would like to receive more direction from their employers on how to achieve their retirement goals. Industry practitioners can help Echo Boomers get started and stay on track by:

- Providing more information and educational materials to employers on how Echo Boomers can achieve their retirement goals;
- Encouraging plan sponsors with younger workers and lower participation rates to adopt automatic enrollment, automatic deferral increases and automatic default investment provisions;
- Assisting plan sponsors in offering investment education and advice;
- Delivering targeted communications to educate Echo Boomers on the importance of participating in their employer-sponsored plan and increasing contributions as their salaries rise; and
- Highlighting the power of compounding earnings to illustrate how the dollars they save in their 20s and 30s can have a big impact on their nest egg at retirement.

Generation Xers

Generation Xers (a.k.a., the "slacker" generation) includes those born between 1965 and 1978. Gen Xers were entering the workforce in the 1980s and 1990s, just as 401(k) plans were gaining popularity and defined benefit plans were beginning to fall out of favor. They are less likely than Baby Boomers to have access to a defined benefit plan. It is uncertain where they will ultimately land in the policy debate on guaranteed benefits under Social Security. Barring any unforeseen changes in the Internal Revenue Code, Gen Xers conceivably will have their entire working years to build up their 401(k) plan balances.

Gen Xers share the opportunity of increasing their retirement investing knowledge along with the other generations. But perhaps their greatest opportunity is to maintain and/or increase the momentum that they have already built.

Gen Xers are definitely not slackers when it comes to retirement savings. The Survey found that on average they started saving for retirement at age 25 (versus Baby Boomers at age 31.5), 75% participate in their company-sponsored retirement plan and their median contribution is 8% of pay.

Industry practitioners can help Gen Xers stay on track with their retirement savings through:

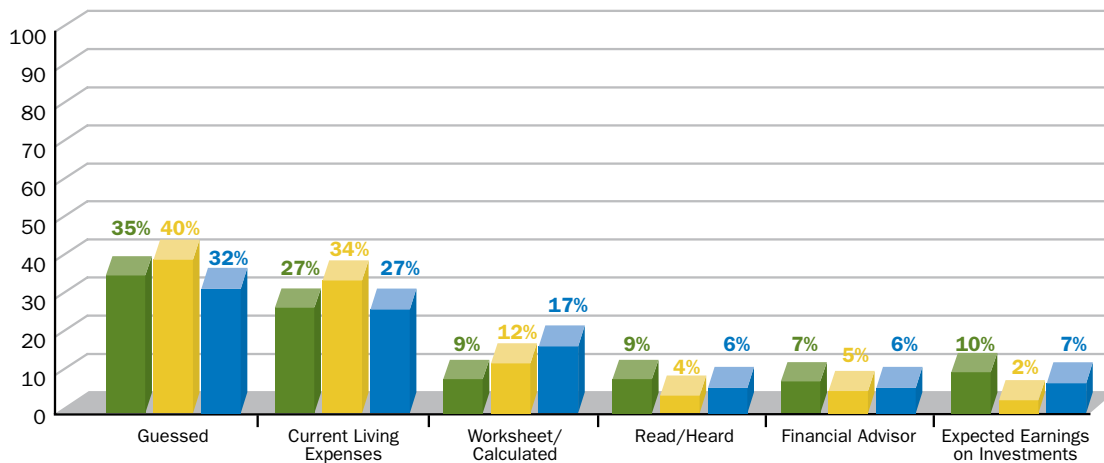
- Delivering targeted communications to encourage Gen Xers to periodically revisit their goals and asset allocation, to rebalance their accounts from time-to-time and to contribute more; and
- Providing plan sponsors with lifestyle funds, target maturity funds or managed accounts for participants who are not inclined to actively manage their own accounts.

Baby Boomers

Baby Boomers (the "Me" generation) includes those born between 1946 and 1964. Already nearing retirement age, Baby Boomers have had less time to build their 401(k) plan balances since 401(k) plans were not written into the tax code until 1978 and plan adoptions did not take off until the 1980s. Baby Boomers are somewhat more likely to depend on retirement income from a defined benefit pension plan and Social Security, as the policy debate over private accounts still maintains some guaranteed benefits for today's older workers.

Baby Boomers expect to retire at age 63 (on average) as found in the

Method for Estimating Retirement Savings Needs



Survey. However, 55% of survey respondents indicated that they have saved less than \$250,000 in all retirement accounts—despite their having estimated needing \$1,000,000 (median) to retire comfortably. Further, the foundation of their estimated savings needs appears to be no more reliable than that of other generations, with 32% admitting that they guessed how much they will need.

Industry practitioners can help Baby Boomers catch-up and better prepare for retirement by:

- Providing assistance with formulating a more reliable estimate for retirement savings needs;
- Delivering pre-retirement planning and counseling services through employer-sponsored retirement plans, including information on how to catch up, plan their transition into retirement and, for many, extend their working years beyond age 65;
- Encouraging plan sponsors to amend their plans to provide for catch-up contributions and encouraging participants age 50 and older to take advantage of making catch-up contributions; and
- Offering additional payroll-deducted savings products.

Final Thoughts

The Survey results show that there is much work yet to be done for all ages, such as providing generation-specific education, improving communication and retirement tools as well as offering investment advice. Moreover, each generation presents some unique needs that merit targeted efforts.

The good news is that it is never too soon or too late to start planning and saving for retirement. As industry practitioners, we have the insight, expertise and know-how to provide the products and services that can help all generations prepare for their retirement years.



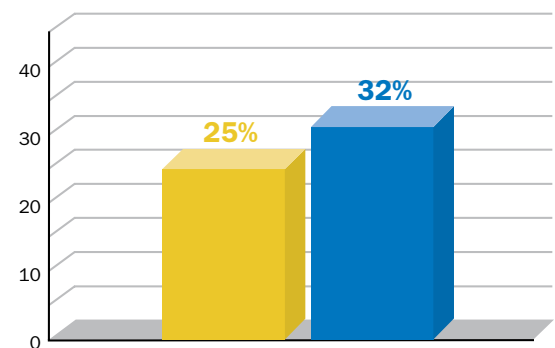
To view the complete Transamerica Survey results, visit The Transamerica Center for Retirement Studies at: www.ta-retirement.com/thecenter.



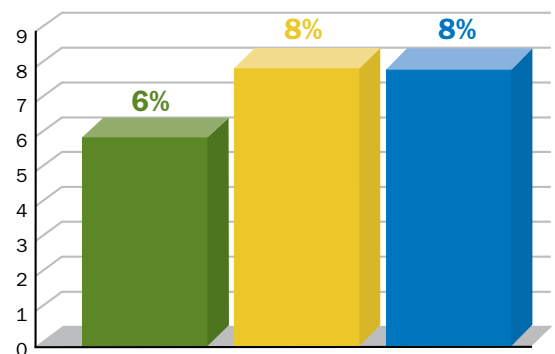
Catherine Collinson is senior vice president of strategic planning for Transamerica Retirement Services. Catherine is responsible for developing and implementing short- and long-term strategic business plans and has been instrumental in developing marketing plans and building infrastructure to support the company's high-growth strategy in the 401(k) market. With over a decade of experience in retirement services, Catherine has become a recognized voice on retirement trends for the industry and in Washington, DC. She also directs the Transamerica Annual Retirement Survey, which explores the attitudes and behaviors of American workers and employers regarding retirement security and workplace benefits.

catherine.collinson@transamerica.com

At what age did you first start saving for retirement? (Average)



What percentage of your salary are you saving for retirement through your company-sponsored plan this year? (Median)



- Echo Boomers
- Gen Xers
- Baby Boomers



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Utilizing Your IRA to Benefit You and Your Favorite Charities—New Pension Reform Legislation Opens the Door for Two Years

by Leonard J. Witman, APM

For individuals who are 70½ or older and are considering making a contribution to their favorite charity, the next two years are the ideal time to act.

A provision in the Pension Protection Act of 2006 (PPA), signed by President Bush on August 17, 2006, allows individuals who are at least age 70½ to have a distribution made in 2006 and/or 2007 directly from their Individual Retirement Account (IRA) to one or more charitable organizations as described in Section 170(b)(1)(A) of the Internal Revenue Code (Code). Contributions of up to \$100,000 may be made each year without requiring the IRA owner to include the funds transferred to the charity as taxable income.

This provision is significant because it benefits *both* the taxpayer and the charity.

How the Taxpayer Benefits

Reduces impact of 401(a)(9) minimum required distributions

Individuals who are age 70½ or older are required by law to begin taking annual minimum distributions from their IRAs, even if they do not need the money. To the extent these distributions must be included in the taxpayers taxable income, if all or a portion of their 2006 and/or 2007 minimum distributions are donated to an IRS recognized charity, an individual can partially or totally satisfy the minimum distribution rules without adding to his or her taxable income.

Reduces taxable income

The new provision is particularly advantageous to taxpayers who do not itemize their deductions on their federal tax return. If a taxpayer who takes the standard deduction on his or her federal tax return donates \$1,000 to a charitable organization, the full \$1,000 is included in taxable income. There is no corresponding deduction. Under the new provision, if the taxpayer makes the donation



directly from an IRA, the \$1,000 contribution will not be included in taxable income, therefore his or her income tax obligation will be reduced.

Reduces impact of itemized deduction limits

There is a reduction on most itemized deductions (including specific limitations applicable to charitable contributions) for taxpayers with adjusted gross income in excess of certain income thresholds (\$150,000 for married taxpayers filing a joint return). To the extent a taxpayer's itemized deductions are limited, making a tax-free contribution from his or her IRA can achieve a tax savings not otherwise available. A contribution from the IRA to a charitable organization will not impact the benefit of other itemized deductions.

Flexibility in annual giving

For 2006 and 2007, an individual can choose the amount of his or her annual contribution from his or her IRA, from zero up to \$100,000 per year.

Fulfilling existing pledge

If the donor has already made a pledge to a charitable organization for an annual or capital gift, his or her IRA distribution may be used to pay these commitments up to \$100,000 in 2006 and 2007.

Estate tax considerations

Let us use the example of a single, terminally ill 72 year-old man who has an estate worth \$2,100,000. Upon his death, there will be a federal estate tax of \$46,000 (\$2,100,000 taxable estate with a \$2,000,000 estate tax exclusion = \$100,000 x 46% tax rate), due within nine months after the date of death. Alternatively, if he transfers \$100,000 from his IRA to his favorite charity, there will not be any income inclusion (and therefore, no income tax deduction on his income tax return). Upon death, since he reduced the value of his estate by the \$100,000 transferred from his IRA to the charity, his estate would be valued at \$2,000,000, which will result in no federal tax being owed (a \$46,000 federal estate tax savings).

How the Charity Benefits

Presume you want to make a charitable contribution to your alma mater's scholarship fund. Prior to this year, you had a choice of writing the check to the institution or donating stocks, bonds or other assets. In either case, *you would be donating with after tax dollars* and getting a possible income tax deduction for the contribution, subject to the

itemized deduction limitations. By allocating donations to be made directly from IRAs, charities are anticipating an increase in charitable bequests and new donors over the next two years.

Limitations of the Provisions

As simple as these provisions seem, consideration must be given to the following requirements before a contribution to a charity is made from a taxpayer's IRA.

Eligible charities

The income exclusion is not available for donations to all charities. In order for a donation from an IRA to be excluded from income, contributions must be made only to a public charity as described in Code Section 170(b)(1)(A) such as churches, educational institutions, hospitals and medical research institutions. Contributions made to supporting organizations [as described in Code Section 509(a)(3)], private foundations, charitable remainder trusts, split interest trusts and donor advised funds, however, *will not* be eligible for tax-free IRA distributions.

Qualified charitable contribution requirement

In order for monies held in a taxpayer's IRA to be eligible for exclusion from income, funds must be transferred *directly* by the IRA custodian to an eligible charity. An IRA distribution taken by an individual that is then donated to a charity will not be considered a qualified charitable contribution from an IRA.

IRA vs. qualified plan assets

The PPA income exclusion only applies to contributions made directly from an IRA. The PPA income exclusion provisions do not apply to contributions made directly from a qualified retirement plan [defined contribution, 401(k) or defined benefit]. Anyone who is a participant in a qualified plan must first either transfer or rollover his or her account balance to an IRA, which then may be transferred directly to an eligible charity.

Traditional vs. Roth IRAs

The provision applies to donations from both traditional and Roth IRAs, however, the tax advantages of donating directly from a Roth IRA are limited.

Age limitations

The provision applies only to IRA owners who are age 70½ or older. Individuals who have not attained age 70½ and want to use their IRA to make a charitable donation must first withdraw monies from the IRA and include the amounts withdrawn as income. If these funds are then donated to a charity, a deduction, to the extent



2007 Examination Windows

For DC-1, DC-2, DC-3, DB, PFC-1 and PFC-2 examinations

	Spring Exam Window May 14 - June 29	Fall Exam Window Nov 1 - Dec 14
Early Registration Deadline	April 13	September 14
Final Registration Deadline	May 13	October 19

Important notes:

The C-3 examination will only be offered in the spring on May 22.
The C-4 examination will only be offered in the fall on Nov 15.

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available, may be taken if the taxpayer itemizes deductions on his or her federal tax return.

No tax deduction

A distribution from the IRA that is not included in taxable income because a donation is paid directly by the IRA custodian to an eligible charity cannot also be deducted as a charitable deduction on Schedule A of the IRA owner's federal tax return.

Benefit to charity only

To be eligible for the income exclusion, the entire IRA distribution must be allowable under law as a charitable deduction under Code Section 170. This provision means that IRA owners cannot receive any benefit in conjunction with the donation. For example, receiving box seats to the World Series from a charity in return for a \$50,000 contribution would disqualify the entire donation from tax-free status. Also, the donor may not make the contribution from his or her IRA to a charitable organization in order to establish a charitable gift annuity.

Substantiation

A taxpayer must be able to sufficiently substantiate the charitable contribution from the IRA; otherwise, the taxpayer is denied the income exclusion with respect to the entire IRA distribution. The donor must receive an acknowledgment of his or her gift from the charity. IRA administrators should issue their third party checks to a charity and include the donor's name on the reference line. One suggestion is to contact the charity directly, alert them to the forthcoming gift and request an acknowledgment be prepared by them immediately upon receipt of the gift.

Sunset provision

Unless Congress votes to extend this provision, tax-free donations to an eligible charity made from an IRA will only be available for 2006 and 2007.

Maximum contribution


The maximum contribution limitation is \$100,000 per year for 2006 and 2007. The utilization of this provision may only be advantageous for "substantial bequests." A charitable gift of \$50,000 to the United Way of America from your IRA can be accomplished with a couple of telephone calls or e-mail messages. A \$50 check to your church or synagogue, however, or a \$10 contribution to the Girl Scouts or Boy Scouts may not be worth the effort.

State tax considerations

The provision described herein only addresses the treatment of contributions to an eligible charity from an IRA for federal income tax purposes.

Individuals should consult their financial advisors regarding the effect of this provision on applicable state income tax laws.

Conclusion

Before deciding to make a charitable contribution directly from an IRA, existing or anticipated financial obligations should be taken into consideration. Is this charitable contribution an opportunity for everybody? Not necessarily, but in the appropriate situation, an individual can achieve the dual objectives of benefiting his or her favorite charity while minimizing personal income or estate tax obligations. 



Leonard J. Witman, Esq., APM, is a nationally noted lecturer and author in the tax, estate and elder law planning and deferred compensation fields. He is the senior tax partner in the law firm of

Witman, Stadtmauer & Michaels, PA, located in Florham Park, NJ. He formerly was a tax law specialist, instructor and lecturer with the Internal Revenue Service, Employee Plans and Exempt Organizations Division. He has written extensively for tax periodicals including the Journal of Taxation, CLU Journal, Medical Economics, Prentice Hall and CCH and is the author of A Retirement Planning Technique Book. In addition, he is a member of the editorial board of the Practical Accountant and is frequently quoted in financial columns in The New York Times, The Wall Street Journal, CNBC and CBS News. (lwitman@wsmesq.com)



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Ready for your future

Highlights from the 2006 ASPPA Annual Conference



Sarah E. Simoneaux, CPC, outgoing President, and Chris L. Stroud, MSPA, incoming President, transition to ASPPA's 2006-2007 leadership team.

Sal L. Tripodi, APM, incoming President-Elect, addresses the crowd during his Keeping Current session.



Alan Cohen, owner of ASC, and Brian H. Graff, Esq., APM, ASPPA Executive Director/CEO, enjoy the 2006 ASPPA Annual Conference.

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Sheldon H. Smith, APM, and Barry Kozak, MSPA, take time to chat during the conference.



Craig P. Hoffman, APM, ASPPA President for 2002, leads a toast to incoming President Chris L. Stroud, MSPA, at the SunGard booth.



Conference attendees examine an exhibit hall full of exhibitor information.



Kurt F. Piper, MSPA, congratulates his friend, Sarah E. Simoneaux, CPC, 2006 ASPPA President, on her successful year.



The ASPPA Annual Conference saw a record number of attendees, here enjoying the Luncheon and Awards Presentation for the Eidson Award Recipients, Martin Rosenberg Award Winner and Educator's Award Presentation.



A packed PAC meeting with attendees engaged in conversation.

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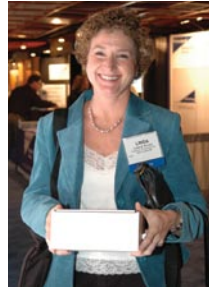
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Celebrating 40 years



ASPPA members enjoy themselves throughout the four day conference.



Linda D. Pulver, along with all conference attendees, received an ASPPA 40th anniversary commemorative pint glass.



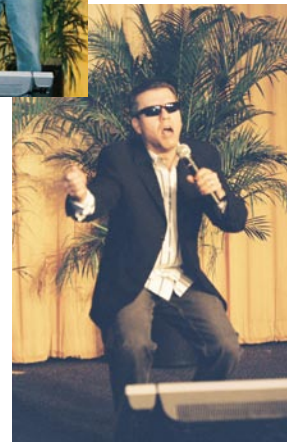
Annual conference attendees in full-focus during the Casino Night and Dance.



Lawrence Deutsch, MSPA speaks to a full room during his session, General Tested DB Plan Design.



Sal L. Tripodi, APM, Chris L. Stroud, MSPA, Bruce L. Ashton, APM, and Stephen H. Rosen, MSPA, entertain the audience with their rendition of "P-B-G-C," while Brian H. Graff, Esq., sings the lead.



Pamela C. Means, MSPA, QPA, QKA, and Stephen H. Rosen, MSPA, CPC, lead the DB Plan Design session.

...d room of ASPPA
...members listens to
...F. Graff, Esq., talk
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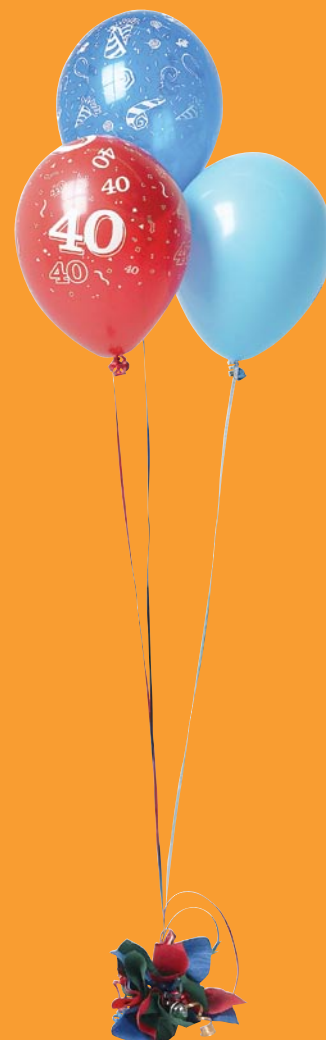
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Auto-Enrollment...Joy or Joke?

Realistic Strategies for Success

by Kristine J. Coffey, CPC

The retirement world is poised to benefit from the legal relief given to automatic enrollment features in 401(k) plans under Section 902 of the Pension Protection Act of 2006 (PPA), signed by the President on August 17, 2006. Though auto-enrollment has been around for quite some time, most recently promulgated in 1998, realistic use was limited to half the states. Now, ERISA preempts any state law that would interfere with the operation of an automatic contribution arrangement as of August 17, 2006.

Those fortunate participants with paternalistic employers will have a head start. The investment companies are ready and waiting. Consultants are polishing educational materials. Software companies are launching new capabilities. Some estimate as much as \$2 trillion dollars may be added to 401(k) accounts in the next decade and a half. Winners... or hype?

A reality check! Participation rates for 401(k) plans reached a plateau of about 75% a decade ago; however, less than half of eligible employees in their twenties choose to participate, according to benefits firm Hewitt Associates, Lincolnshire, IL. The national savings rate is at its lowest level since the 1930s, declining from 9.4% in 1970 to just 1% in 2004. Only half of America's workers participate in employer-sponsored retirement plans. Eighty percent of small business employees have no plan at all. Are these statistics surprising? Probably not. Human beings procrastinate and focus on the present. Often, we decide by not deciding. And, this whole retirement industry is burdened by such complexities that employees are often paralyzed by their lack of understanding. Nineteen percent of large companies, including Hewlett-Packard, JCPenney, Costco and Motorola, are already automatically enrolling employees (up from 14% in 2003). When other large companies are questioned, an additional 28% say they plan to add the auto-enrollment feature soon.

According to the 2006 Retirement Confidence Survey, EBRI Issue Brief No. 292, a majority of employees are in favor of the very features that are now possible:

- 69% favor automatic enrollment;
- 65% favor automatic deferral increase with pay raise; and
- 59% favor automatic investing.



What Do You See as the New Opportunities Regarding Automatic Enrollment in 401(k) Plans?

Steff C. Chalk of CHALK 401(k) Advisory Board, Cincinnati, OH, comments about the obvious new opportunities: "more money to manage, additional people investing in plans and more employee education opportunity...more opportunity for a financial advisor to help the unsophisticated investor to actually plan for his or her future. The buy-in from the newly-drafted participant should be high, as it is from most new deferrers who learn how painless it is to save a little each week, especially when combined with how quickly the balance grows. This new "auto" group should become the newest fans of 401(k) plans."

Registered Investment Advisor Mark A. Davis, AIF, Kravitz Davis Sansone, Encino, CA, who works with nearly \$900,000,000 in retirement assets, proclaims his strong belief in auto-enrollment plans. Already he has a half dozen of his larger clients using the feature. "It's almost a religious thing, getting all of America saving for a successful retirement."

To the financial advisor, this current more clarified version of the auto-enrollment feature means consulting and sales opportunities and the chance to really do some good for America's future.

Along the same line of thought, E. Thomas (Tom) Foster, Jr., JD, national spokesperson for The Hartford, Simsbury, CT, comments, "When people see how simple it really can be, more and more people will start saving for retirement."

Where does this automatic enrollment feature fit? Consider larger companies of 500 or more employees, with a broad range of skills and pay ranges. Use workers' inertia to actually help them save! Tom Foster sees target markets for auto-enrollment to include businesses with transitory workers, such as the restaurant and the transportation industry, along with hotels and manufacturing, "those with a large, lower paid employee group, especially if they have had testing problems and refunds in the past." In fact, McDonald's had the first auto-enrollment plan years ago; they have since modified their approach due to a few unpleasant side effects, like particularly large numbers of small accounts for employees long gone.

To the financial advisor, this current more clarified version of the auto-enrollment feature means consulting and sales opportunities and the chance to really do some good for America's future. To the employer, it means administration and service and being the good boss for employees. To the participant, it can mean real future lifestyle choices.

What are the Challenges?

Consultant Adam C. Pozek, QKA, QPFC, of Swerdlin & Company, who spoke on this issue at the 2006 ASPPA Annual Conference in Washington, DC, is very up-to-date on auto-enrollment. He stated, "I don't think this feature will be significantly utilized. The cost and administrative burden will far outweigh any potential benefits."

According to Steff Chalk, "Communication will continue to be a big challenge. The unsophisticated auto-enrollee will possibly require more hand-holding than the actively-deferring participant. Another challenge or awakening for financial advisors might be the realization (by plan sponsors and industry professionals) that the stroke-of-a-presidential-pen (PPA) can have more impact on helping the non-deferring eligible participants than all of the attempted education and coercion for more than 20 years!"

ERISA further imposes a large civil penalty of \$1,100 per day for failure to provide proper notice to employees who are eligible for an automatic contribution arrangement, as of August 17, 2006. Thus, proper ERISA-friendly and participant-friendly communications are key to success, both legally and practically.

Because many future auto-enrollment participants will likely be employees with little or no financial education, it is important to reach them in their own environment and in their own language. Get yourself into the mind-set of the employee. What does auto-enrollment mean to you? It's easy for you; it's simple for you; you can just sit back and enjoy. When you're comfortable with how your nest egg is growing, then you can take a more active management role, if you'd like.

Safe Harbor

Effective for plan years beginning on or after January 1, 2008, there is a safe harbor feature for automatic enrollment under IRC §§401(k)(13) and 401(m)(12). The automatic enrollment percentage must be between 3% and 10%. This safe harbor feature involves increasing automatic deferrals such that employee contributions must increase by 1% annually after the first full plan year of participation to reach at least 6% (but no more than 10%) of pay.

Employer contribution options under the new safe harbor option are either (1) match of 100% of the first 1%, plus 50% of the next 5% or (2) a 3% QNEC. These contributions must be fully vested after two years.

Adam Pozek continues with more challenges: "The payroll side of the safe harbor with escalating auto-enrollment will be extremely difficult to administer. All of the moving parts (of auto-enrollment) create an environment ripe for operational errors at the plan sponsor level." Naturally, this potential alerts quality plan administration professionals to opportunities for their detailed services.

ExpertPlan, Inc. was among the first to launch an enhanced auto-enrollment capability. They deliver real-time reports showing employee participation rates and they allow plan sponsors to elect ExpertPlan's automatic "step-up" deferral increase feature. Other notable firms are joining them in supportive development.

There are permissible withdrawals allowing automatically-enrolled employees to "cash out" within 90 days of automatic enrollment under IRC §414(w)(2), effective for plan years beginning on or after January 1, 2008. While this poses a wide range of issues for plan sponsors and administrators, the "do-over" includes the amount of automatic deferrals plus earnings with the 10% penalty waived. Of course, they are excluded for testing purposes.

"Don't become complacent," warns Tom Foster. "Auto-enrollment is just one part of the puzzle. It's just one component of many that the financial advisor must explain meaningfully to plan sponsors and participants alike. The Hartford takes pride in its service and education. We never take out the financial advisor role."

Mark Davis does not think that the safe harbor will help spread the auto-enrollment message because there is not enough incentive in it for the plan sponsors. "The deal needs to be sweetened to work." Mark Davis, however, does have a near perfect example of where auto-enrollment works well: a funeral services business with a wide range of workers from executives to non-English-speaking grave diggers. The good news here is that the plan sponsor cares a lot about his employees and their future and acts on this provision with a generous matching contribution. The use of diverse cultural marketing materials shows his sensitivity to the needs of the employees. And, one-on-one meetings by the vendor make each auto-enrolled participant feel special, giving him or her the opportunity to ask questions and understand the benefits. "Thank you" resounds around the office. Mark Davis concludes that auto-enrollment is "empowering a swath of people who were always locked out. Plan sponsors have to buy into the fact that it is good for their company and for their employees that more people will be in their plan."

The financial impact on the employer is an issue to face head-on. Even the most paternalistic

employer may wince at the added costs of administering the plethora of small accounts generated by auto-enrollment. The ever-growing employer matching contributions required with the advancing deferrals, if the plan sponsor opts for the safe harbor approach in 2008, adds to the potential for financial burden for the employers. An uncertain payoff with increased costs! Will these nonplused employees even appreciate the benefit given them?

What the industry awaits is the final relief from the Department of Labor (DOL) regarding automatic or default investments, so that these automatic deferrals, resulting from automatic enrollments, can be automatically invested into effective long-term investment vehicles. If such relief is given, it will help bring a modicum of success to participants' retirement aspirations and relief from liability for plan sponsors.

Congress has directed the DOL to protect plan sponsors from potential fiduciary liability for asset-allocated default investments. To provide greater comfort to concerned employers, proposals include balanced and lifecycle funds and managed accounts. For example, among ExpertPlan's new features are those that allow financial advisors and



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Auto-enrollment does not guarantee that participants will contribute enough or make the best investment choices to actually assure a successful financial future.

plan sponsors to select any of the lifestyle, asset allocation and target-date investments currently available on ExpertPlan's open architecture recordkeeping platform.

"Remember trying to privatize social security? Auto-enrollment could put a private market account into almost every American household," proclaims Mark Davis.

The safe harbor's increasing deferral requirement may challenge participants to want to learn even more about successful investing. "At the same time, we can help the highly-compensated employees put even more away for their own retirement. It's win-win! Good habits will be hard to break, especially when participants see that the economic impact is not as hard as they thought," adds Tom Foster.

How are You Taking Advantage of this Aspect of PPA?

Mark Davis brings up the concept of auto-enrollment during quarterly meetings with the retirement committee, human resources, the Chief Financial Officer and the fiduciary committee of a company. Has he had positive results? You bet. Moving from 50 or 60% participation rates to the high 90s is not uncommon in his practice. California technology companies, however, have been a tough sell; they are very cost sensitive.

Hewitt's 2006 Auto-Enrollment Survey notes that auto-enrollment does increase participation rates, particularly for younger, lower-paid and newer employees. In their sample, the participation rate for the auto-enrolled group was 91%, while for the non-auto-enrolled group participation rate was 68%. In practice, the opt-out rate was from 1.5% to less than 10%, a positive result.

According to a Profit Sharing/401(k) Council of America survey, before the passage of PPA, about 17% of all companies that offer a 401(k) plan (and about 30% of companies with more than 5,000 employees) already enroll employees automatically.

The conundrum, however, is that the average deferral rate is lower in auto-enrolled plans, even though the participation rate is higher. Auto-enrollment does not guarantee that participants will contribute enough or make the best investment choices to actually assure a successful financial future. No matter what, saving early and saving often is the best way to start.

Steff Chalk's objective is to continue educating the plan sponsors on what a better job they, and the financial advisors, can be doing for plan participants (*i.e.*, "nothing new from me or my firm, just more of the same"). Similarly, Adam Pozek is "explaining the pros and cons to my clients and helping them arrive at the appropriate solution given their

needs and resources. If they are failing testing, we're looking at auto-enrollment as one possible solution. However, it doesn't typically turn out to be the most cost-effective."

Hartford's strategy is to educate three groups: (1) the financial advisor multimedia outreach is in full swing with focused data on the reaches, as well as the strategies and key issues of which to be aware; (2) plan sponsors; and (3) participants. "Financial advisors have another arrow in their quiver. They can go out and re-enroll the entire firm, or just the new employees. Financial advisors don't have to worry unnecessarily about the technical fulfillment side, just understand the concept and know what questions to ask. Leave the technical details to the TPAs, CPAs, JDs and software providers."

There is a whole list of possible, practical marketing strategies to take advantage of this new 401(k) automatic enrollment feature. ASPPA members are in the best position to be able to take the lead for the benefit of plan sponsors, participants, money managers...and themselves. Try one or all of these ideas for outreach.

Group Outreach

Present breakfast strategy sessions/seminars. (Get the word out to several entities at once, then follow up one-on-one with specialty advice.)

- For CPAs and JDs with professional continuing education credit. (Each participant represents hundreds of leads for your practice.)
- For plan sponsor prospects and/or existing clients.

Author a series of articles for publication for business journals and the local press on various aspects of PPA.

- Show your marketplace expertise and attract incoming inquiries.
- Reprints can be part of your dossier when approaching new referrals and prospects.
- Create a monthly e-mail campaign with short, focused strategies.

One-on-One Outreach

- During quarterly investment updates, ask the appropriate new questions, resulting from this new opportunity given by PPA.
- Annually, when monitoring your client's Investment Policy Statement, again ask the right questions.
- Connect with the TPA on the plan, or, if you are the TPA, contact every plan where participation rates are less than 80%, where there is even a chance for not passing the discrimination tests or where the highly compensated employees are not contributing as much as they would like.

What are Some Key Questions to Ask?

The all-time best open-ended question to open the door is: "If there is something you would like to change or improve about your plan, what would it be?"

Some questions specific to the current situation are:


- Have you ever had to return money to your highly compensated employees?
- Are you satisfied with the participation rates and deferral rates of your lower-paid employees?
- Do you think your employees will have a secure retirement?
- Which of the new auto-enrollment possibilities from the list I provided you with do you think will make sense for your plan?

Conclusion

Many predict that overall benefits from auto-enrollment will include:

- For all, higher account balances because of earlier enrollment;
- For higher-paid employees, higher account balances because their employers satisfied discrimination testing requirements; and
- Potentially lower turnover rates.

"We are all in favor of anything to help Americans save and have a healthier retirement," Tom Foster concludes. "The word 'retirement' has a finality to it. We believe we should prepare people to live! And, we should have a pride about our life and living. Auto-enrollment is a no-gap solution!"

Where will workers and the retirement industry be within the next decade? Do you think that at least half of all participants will be in plans because it is automatically done for them? Auto-enrollment leads to auto-deferral leads to auto-investment leads to auto-deferral increases. Will this path ever lead to auto-retirement success? Time and technical corrections will tell whether auto-enrollment is a joy or a joke! 



Kristine J. Coffey, CPC, is the executive vice president of CPE Associates, Ltd. SOUTHWEST, Albuquerque, NM, and MIDWEST, Brookfield, WI, an international consulting firm with project commitments from corporate finance

engagements to non-profit development, from coaching financial advisors and their firms to leading women's resources. Her career was highlighted by her assistance in the creation and coordination of the first The ASPPA 401(k) SUMMIT held in 2002, and she served as Chair in 2005 and 2006. Kris is currently the Co-chair of the ASPPA Marketing Committee. (kcoffey826cpe@aol.com)

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Michelle L. Zentner



We've Come a Long Way!

by Chris L. Stroud, MSPA

The success of the 2006 ASPPA Annual Conference was the culmination of a lot of hard work and a little luck attributed to the passage of the Pension Protection Act of 2006 (PPA). The time was also used to celebrate ASPPA's 40th birthday. When we look at the statistics of this conference and at some of ASPPA's statistics over the years, it is easy to see that ASPPA has come a long way!

While the ASPPA Annual Conference Committee members and ASPPA staff were working up to the last minute to rearrange the agenda in order to build more PPA content into sessions, industry folks were scrambling to register for the conference. The 2006 ASPPA Annual Conference boasted a record 1,663 attendees! The attendees enjoyed a selection of 57 workshops and although some of the session rooms were a little crowded, everyone was talking about the high quality of speakers and sessions.

The ASPPA staff helped everyone with the logistics and to make sure the 8,352 meals were served efficiently (not to mention coordinating the five breaks!). Approximately two million sheets of paper were distributed in the form of handouts. (Yes, we need to work on this statistic! Watch for updates regarding a more "paperless" approach to future conferences.) Attendees also enjoyed visiting the exhibit hall to meet with the 70 exhibitors and 17 sponsors.


ASPPA's membership reached a record high of over 6,000 during 2006. In contrast, in 1969, ASPPA (then "ASPA") had approximately 250 members. The first ASPPA Annual Conference was held in 1969 at Purdue University with 39 attendees. In the following years, the ASPPA Annual Conference moved from city to city. In 1974, it was held at the Renaissance Mayflower Hotel in Washington, DC, with 800 attendees. The theme was "ERISA—A Whole New Ballgame!" Interestingly enough, in 1980 the ASPPA Annual Conference was held in New Orleans, the last year that the conference was held outside of Washington, DC. The decision was made to move the conference permanently to Washington, DC, in order to more easily obtain government speakers and to allow ASPPA staff to help locally with all the logistics. ASPPA and the conference continued to grow. In 1990, membership reached approximately 3,000 and more than 1,200 people attended the ASPPA Annual Conference that year.

2006, ASPPA's 40th birthday, was definitely a record-breaking year. The Conferences Committee and ASPPA staff played a large part in that success. ASPPA successfully hosted or co-hosted 11 conferences during 2006:

- Los Angeles Benefits Conference (Los Angeles)
 - The ASPPA 401(k) SUMMIT (Orlando)
 - Mid-Atlantic Benefits Conference (Philadelphia)
 - Great Lakes Benefits Conference (Chicago)
 - DOL Speaks: The 2006 Employee Benefits Conference (Washington, DC)*
 - Advanced Actuarial Conference (Boston)*
 - Northeast Area Benefits Conference (Boston and New York)
 - Western Benefits Conference (Las Vegas)
 - Benefits Conference of the South (Atlanta)*
 - ASPPA Annual Conference (Washington, DC)
- (*first year conference held)

Fortunately, all of these conferences are planned again for 2007, although a few will be held in different locations.

Typically, when we attend conferences, we show up and look forward to great sessions, networking, seeing old friends and making new ones. We sometimes forget all the time contributed by others to make our experience more pleasant and rewarding. For example, the 2007 ASPPA Annual Conference Committee has already had several calls and meetings to begin their planning. Their duties, just to name a few, include searching for speakers, setting agendas, planning entertainment, assisting with outreach and marketing campaigns, discussing brochure contents, selecting moderators, rating sessions for continuing education credits, etc.

The ASPPA staff is busy helping the committee, as well as working out all the logistics with the hotel, soliciting exhibitors and sponsors and keeping the conference schedules on track. The wheels keep turning, thanks to the hard work and dedication of the members and staff who make your conference experiences with ASPPA their priority. So when you arrive at any of ASPPA's 2007 conferences, be sure to seek out staff members and conference committee members and tell them you appreciate all of their hard work. I, for one, certainly do! 

Chris L. Stroud, MSPA, MAAA, EA, is president of Stroud Consulting Services, Inc., in Marco Island, FL. Chris has 28 years of experience in retirement planning, software and management consulting, sales and marketing. Prior to setting up her own consulting firm six years ago, she was employed by FDP for 22 years, a pension and insurance software firm that was purchased by SunGard. Chris now offers a variety of consulting services to several firms, including continued support to SunGard for all SunGard Relius products. Chris is the President of ASPPA and the Editor of The ASPPA Journal. (chris.stroud@relius.net)

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ASPPA GAC—The “Natural High!”

by David M. Lipkin, MSPA

For another perspective on ASPPA’s Government Affairs Committee (GAC), I want to summarize our meeting with the Pension Benefit Guaranty Corporation (PBGC), held during the 2006 ASPPA Annual Conference in October.

The PBGC meeting was very effective and was the direct result of the GAC volunteer system. It helped us revitalize our relationship with the PBGC, and it encompassed a thorough discussion of the Pension Protection Act of 2006 (PPA). While this brief update is about the meeting, the processes are similar for our meetings and relationships with the IRS and DOL, as well as with key congressional staff.

The reason for our PBGC meeting was to discuss impending PPA regulatory priority issues. When PPA came out, we assigned sections of the bill to each GAC subcommittee [*i.e.*, Legislative Relations, DB, IRS, Plan Documents, Tax Exempt & Governmental Plans, 401(k), Reporting & Disclosure and DOL]. It was encouraging to see how well the various subcommittees worked with each other as various resources, ideas, procedures and people were lent from one subcommittee to another. Almost the entire act (all 900+ pages) was assigned to a subcommittee; only a few minor sections, deemed less vital to ASPPA, were not carefully reviewed.

One subcommittee developed a spreadsheet format that helped us organize our ideas—one column each for PBGC, DOL, IRS and Congress. Each subcommittee used this format so we could all clearly identify the key issues. In a very short time span, these spreadsheets were drafted. We then had two extremely long conference calls to discuss the issues and prioritize them. We have learned not to overburden our audiences (either legislative or regulatory) with too much detail, so we often try to develop a “top ten” list, in order of importance.


We then provided the PBGC our list of issues in advance of our meeting. (A similar process was followed for other agency meetings.) This advance notice gave them time to prepare. When we arrived at the meeting, there were six ASPPA representatives. To our surprise, the PBGC brought 13, with representation from their major departments. There were a lot of lawyers there!

We were amazed at the preparation that the PBGC had put into the meeting beforehand. Each of their attendees brought our agenda with their marked-up comments. They had evidently pre-determined who

would address each of the issues. While the actual issues are less important for this update, the key observation for me was the respect that the PBGC showed ASPPA. They took our comments seriously. There were a couple of areas that they told us not to hold our breath for relief, as the PPA statutory language says what it says.

On most of the issues, however, they understood our concerns and assured us that these items would be given careful consideration before final regulations were issued. They had not even thought of some of the issues that we raised, so they were grateful to us for addressing them. They also asked us to get some details for them on one additional issue. The fact that we worked together so well is a very good sign, and it is symbolic of much of the work GAC is doing. This synergy is where the “natural high” part comes in—when the meeting was over, we felt like we had influenced something in a positive, almost tangible way. You do not always get to have that kind of impact.

The kudos go to the GAC volunteers and the staff at the ASPPA office. They are the ones who did the hard work—reading PPA, organizing it into the spreadsheets, discussing the ideas (“What would serve ASPPA members the best way?”) amongst themselves in a highly cooperative and professional manner and finally presenting our recommendations and questions to the decision-makers.

If you want to share in the 2007 Natural High campaign, contact Jolynne M. Flores, ASPPA’s Government Affairs Manager, at jflores@asppa.org, and fill out a GAC volunteer form. We would love to have you on our team! 



David M. Lipkin, MSPA, is the president of Metro Benefits, Inc, Pittsburgh, PA, which he founded in 1986. David speaks on a variety of topics, including the professional responsibilities of the actuary. He has published numerous articles. He has been selected by the Department of Labor to serve as an independent fiduciary for several orphan/abandoned plans. David currently serves as Co-chair of ASPPA’s Government Affairs Committee. He previously served as Chair of GAC’s Defined Benefit Subcommittee. (david@metrobenefits.com)

Latest Additions to the ASPPA Board of Directors

by Troy L. Cornett



Mark K. Dunbar,
MSPA



Thomas J. Finnegan,
MSPA, CPC, QPA



Renee J. Conner,
QPA


Mark K. Dunbar, MSPA, and Thomas J. Finnegan, MSPA, CPC, QPA, have been elected to ASPPA's Board of Directors and will each serve a first full term expiring in 2009. Renee J. Conner, QPA, has been appointed by the Board of Directors, pursuant to the bylaws, to fill a partial term expiring in 2008.

Mark K. Dunbar, MSPA, is president of Dunbar, Bender & Zapf, Inc., a Pittsburgh, PA, consulting firm with more than 40 employees and 1,600 retirement plans. Mark is an Enrolled Actuary (EA) with more than 30 years experience working on both defined benefit and defined contribution plans. Mark holds a Bachelors degree in Mathematics from Indiana University of Pennsylvania. In addition to his duties at Dunbar, Bender & Zapf, Inc., Mark is a Member of the American Academy of Actuaries (MAAA) and a Member, Society of Pension Actuaries (MSPA).

Thomas J. Finnegan, MSPA, CPC, QPA, is a principal of The Savitz Organization in Philadelphia, PA, and holds a Bachelors degree in Mathematics from St. Joseph's University. Tom is an actuary with over 20 years experience working with all types of qualified and non-qualified retirement plans. Prior to joining The Savitz Organization, Tom served as a senior actuary for a major employee benefits consulting firm and the director of retirement plan services for a mid-sized regional consulting firm. As well as being a credentialed member of ASPPA, Tom is an Enrolled Actuary (EA), a Fellow of the Conference of Consulting Actuaries

(FCA) and a Member of the American Academy of Actuaries (MAAA). He is a frequent speaker at regional and national benefit and actuarial conferences and has authored articles for national actuarial publications as well as regional newsletters. Tom has also taught semester-long EA exam preparatory classes at Temple University as well as ASPPA exam courses.

Renee J. Conner, QPA, is the founder of the Pension Alliance, Inc., a firm that administers more than 1,000 plans with offices in Harrisburg and Philadelphia, PA, Baltimore, MD, and Boston, MA. She is a frequent speaker at regional and national benefit conferences and has served on several of ASPPA's conference committees. As well as being a credentialed member of ASPPA, Renee is an Enrolled Agent with the Internal Revenue Service. She has over 25 years experience with all types of qualified and non-qualified plans.

Robert M. Richter, APM, and Ilene H. Ferenczy, CPC, have also been elected to serve a second full term on the Board of Directors, expiring in 2009. 



Troy L. Cornett is the Office Manager for ASPPA and is the liaison to the ASPPA Executive Committee, ASPPA Board of Directors and ASPPA Management Team. He also manages ASPPA's Data Services Department and is an Associate Editor of The ASPPA Journal. Troy has been an ASPPA employee since July 2000. In his time away from the office, Troy enjoys seeing the latest movie releases, driving his VW Beetle and sipping lattes with his friends at Starbucks. (tcornett@asppa.org)

GAC Corner

ASPPA Government Affairs Committee
Comment Letters Recently Filed
September-December 2006

Nov 14

Comments to the DOL on default investment alternatives
www.asppa.org/government/comment11-13-06.html

Sep 26

Comments to the IRS on safe harbor notice requirements
www.asppa.org/government/comment09-26-06.htm

Sep 19

Comments to the DOL, IRS and PBGC on the proposed revisions to the Form 5500 annual return/report
www.asppa.org/government/comment09-19-06.htm

Sep 19

Letter to the DOL on its VFC Program and online calculator
www.asppa.org/government/comment09-19a-06.htm

For all GAC filed comments go to

www.asppa.org/government/gov_comment.htm



A QPFC Perspective

by *Sadie A. Gensler-Hooker, CPC, QPA, QKA, QPFC*

Probably the best advice I ever received in this business was, “You need to know what you don’t know.” Qualified plans are not rocket science, but there are so many nuances to the rules and regulations. It never seems to fail that once you think you know something, legislation changes or there is a caveat to the rules that you overlooked. For this reason, retirement plan professionals need to continue educating themselves.


As a retirement plan professional who earned ASPPA’s Certified Pension Consultant (CPC) credential a few years ago, I thought I could sit back and just worry about satisfying my continuing education requirements, but like most things in this business, things changed and ASPPA rolled out the new Qualified Plan Financial Consultant (QPFC) credential.

ASPPA’s QPFC credential is designed for those individuals who focus mostly on assisting plan sponsors with investment and fiduciary issues, rather than primarily administrative issues. It requires the passage of four exams: the two Retirement Plan Fundamentals (RPF-1 and -2) open book exams and the two proctored Plan Financial Consulting (PFC-1 and -2) exams, given at Prometric testing centers.

With new opportunities for plan sponsors to provide investment advice to their participants due to the Pension Protection Act of 2006 (PPA), along with the Department of Labor’s (DOL) new qualified default investment alternative guidance and renewed focus on the disclosure of 401(k) investment fees, it is important for retirement plan professionals to have a thorough understanding of their fiduciary responsibilities when consulting with their clients. The QPFC credential offers an excellent opportunity to distinguish yourself from your peers. By satisfying the requirements for this credential, you demonstrate that you have a comprehensive understanding of not only the different investment vehicles

offered inside qualified plans, but also the fiduciary responsibility requirements associated with offering them.

I took all of the exams in the spring of 2006, but for those who do not want to attempt so much in a short time, ASPPA offers a number of different avenues to assist you in studying for this credential. First and foremost, I highly recommend buying the study materials. Even before taking the examinations, during sales presentations with prospects, I was able to utilize some of the things I learned while studying. In addition, ASPPA is hosting a series of webcourses, as well as intensive review sessions at The ASPPA 401(k) SUMMIT. Another good resource is your local ASPPA Benefits Council (ABC). Some of the local ABCs are offering study groups, and they may be able to hook you up with others in your area pursuing this credential.

The most important advice I have, though, is to know what you don’t know, take some time to study and review the fundamentals. Don’t let your ego get in the way! 



Sadie A. Gensler-Hooker, CPC, QPA, QKA, QPFC, is a managing director, institutional sales for MassMutual Retirement Services and the president of the ASPPA Benefits Council of the Texas Gulf Coast. Throughout her career, she has worked both in the administration and marketing of retirement plans. She is also currently serving on the ASPPA Education and Examination Committee as a Subject Matter Expert and has taught two of the recent PFC-2 webinars. (sgenslerhooker@massmutual.com)

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Report online at www.asppa.org/education/ed_conted.htm.

2007 Syllabus Changes Announced for ASPPA's Defined Benefit Course

by Raymond D. Berry, MSPA

ASPPA's Education and Examination (E&E) Committee is pleased to announce that changes have been made to the syllabus of the Administrative Issues of Defined Benefit Plans course (DB course).

The DB course is a requirement for ASPPA's CPC and QPA credentials. The changes will better serve the educational needs of those in the retirement community preparing to become CPCs and QPAs. The DB examination for this revised course will continue to be offered in both the spring and fall. The new syllabus changes are effective for 2007.

The DB course concentrates on the administrative issues of defined benefit plans. As such, it is geared toward the plan administrator, rather than the plan actuary. The course has been designed to include relevant topics that typical administrators need to know. Certain topics that were considered to be more actuarial in nature have been removed. The DB course remains an intermediate course and builds on the material in the Retirement Plan Fundamentals course, the RPF-1 and -2 examinations, as well as the Defined Contribution Administrative Issues Basic Concepts (DC-1) examination.

Specifically, the following topics have been removed from the syllabus, since they were deemed to be more actuarial than administrative:


- Funding methods
- Financial Accounting Standards (FAS)

The following administrative topics have been added to the syllabus to better prepare administrators for typical tasks performed:

- Qualified Domestic Relations Orders (QDROs)
- Distribution requirements (including retroactive annuity starting dates, required minimum distributions and relative value calculations)
- Participant notifications
- Top 25 employee distribution restrictions

The following topics continue to be included in the syllabus:

- Function of Pension Benefit Guarantee Corporation (PBGC)
- Types of DB benefit formulas
- DB accrual rules
- Calculation of accrued benefits
- Accruals under top heavy plans
- Protected benefits
- Calculation of present value of accrued benefits (PVAB)
- Actuarial equivalence related to alternate benefit forms
- Distribution options
- Hybrid plans: cash balance, pension equity, floor-offset designs
- Post normal retirement age accruals
- Ancillary benefits
- Coverage, participation, nondiscrimination testing (not general testing)
- Nondiscrimination safe harbor formulas
- Permitted disparity rules

ASPPA's E&E Committee anticipates that this revised DB course will be more relevant to those taking the DB examination and to their employers and, therefore, will make the course of greater value to ASPPA's membership. For those who want to further their DB studies after this course, additional DB topics are covered in the materials for ASPPA examinations Advanced Retirement Plan Consulting (C-4), Advanced Actuarial Practice (A-4) and the Enrolled Actuary (EA) examinations. 




Raymond D. Berry, MSPA, is a consultant actuary with CCA Strategies LLC, Chicago, IL. He has over 30 years of experience in employee benefits, with an emphasis on retirement plans. Ray has been a consultant for various types of retirement plan clients ranging from one-life plans to large multi-employer plans. His current practice is weighted towards retirement plans for partnerships and outsourcing for large retirement plans. He is currently on the board of directors of the ASPPA Benefits Council of Chicago and is also a past president. He is Vice chair for ASPPA's Education and Examination Committee. (ray.berry@ccastrategies.com)

Is There An ASPPA Member on Your Retirement Planning Team?

by Susan L. Hajek, QKA

You have worked hard for your credential(s) and you want to make sure your clients, prospects and those you work with are aware of the benefits that exist in working with an ASPPA credentialed member. ASPPA now provides a marketing brochure that you can use alone or in conjunction with your own marketing materials to bring attention and added value to your ASPPA credential(s). The brochure is available on the ASPPA Web site and is provided in two layout styles: two-sided or tri-fold.

The marketing brochure highlights the commitment, knowledge, expertise and integrity you possess and the importance of your membership in ASPPA. As an ASPPA credentialed member you are a highly skilled and educated professional who is committed to providing optimal solutions to your clients in an intensely technical and highly-regulated industry. You obtained your ASPPA credential through an extensive examination process. You satisfy continuing education requirements that keep you abreast of changing regulations. The Code of Professional Conduct that you signed when you became a member is important in our dynamic world. The marketing brochure is an excellent way for you to get your unique message to those who matter to you most.

The following two pages show the two-sided version of this new marketing tool. Take a look and see for yourself the value of including this brochure in your marketing plan. It is available on the ASPPA Web site under the Resources & Publications section visit www.asppa.org/resources/mmb.htm. Detailed printer specifications are provided if you choose to use a professional printing facility, or you can simply download the files for use in your office. 



The ASPPA member marketing brochure is available in two versions, two-sided and tri-fold. The text is identical in both. The tri-fold version appears as it does here and the flat version appears as on pages 41-42.



Susan L. Hajek, QKA, is the Chief Sales & Marketing Officer of ASPPA. Prior to joining ASPPA, she was a regional territory sales representative for SunGard and their Relius Administration product line based in Jacksonville, FL. Susan has served on The ASPPA 401(k) SUMMIT Committee, the Marketing Committee and as president,

secretary and treasurer of the ABC of North Florida.



Is there an ASPPA member on your retirement planning team?

If not, learn why there should be.



COMMITMENT

The management of a corporate 401(k) plan or other type of retirement plan entails a myriad of disciplines. Your retirement planning team must have knowledge of ERISA laws, IRS and DOL regulations, plan administration and compliance, actuarial calculations, employee communications, investments and fiduciary responsibilities. Since all of these areas evolve due to new laws, products and industry trends, it is important to align yourself with professionals who understand the dynamics of this ever-changing landscape. ASPPA credentialed professionals are **committed to providing optimal solutions** that avoid unnecessary risks in this diversified, technical and highly-regulated industry.

When your team includes ASPPA credentialed experts, you also receive the benefits and the **commitment of ASPPA—a nationally recognized authority** on our nation's employer-sponsored retirement plan system.

With so many choices and decisions with such long-term consequences, your commitment to include ASPPA credentialed professionals on your team is more important today than ever before.

KNOWLEDGE AND INTEGRITY

Credentialed ASPPA members have committed a minimum of three years of study, rigorous examinations and actual practice to become highly skilled specialists in their respective areas of retirement planning.

ASPPA's extensive **credentialing program has a reputation for excellence** and includes continuing education requirements to ensure ongoing high standards of performance. Representative of all disciplines in the retirement planning arena, ASPPA credentialed members' services include Plan Administration, Compliance and Consulting, Actuarial Consulting and Financial and Legal Consulting.

ASPPA's strong **Code of Professional Conduct**, subscribed to by all ASPPA members, is a cornerstone of the organization. By coupling the highest levels of professional and ethical standards, ASPPA and its members offer you a winning combination.

ABOUT ASPPA

Since its inception in 1966, ASPPA, the American Society of Pension Professionals & Actuaries, has been integral in preserving, shaping and enhancing our nation's employer-sponsored retirement plan system. ASPPA membership is individual and encompasses a **network of professionals** dedicated to the security of the employer-sponsored retirement plan system.

Through its influential presence in Washington, DC, and its dynamic, yet intensive, credentialing and continuing education programs, ASPPA has earned the distinct **reputation as the prominent voice** for the retirement plan industry.

ASPPA is the only organization comprised exclusively of retirement plan professionals that actively advocates for legislative and regulatory changes to expand and improve the private pension system. ASPPA's elite membership has grown to approximately 6,000 retirement plan professionals who have chosen to be among the most dedicated in the profession and who take on retirement plan work as a career.

Continued on next page



ASPPA24

EXPERTISE

To ensure the highest levels of industry expertise and professional standards, look for these ASPPA credentials when assembling your retirement planning team.

PLAN ADMINISTRATION, COMPLIANCE AND CONSULTING

Qualified 401(k) Administrator - QKA

Retirement plan professionals whose work is focused primarily on 401(k) plans. QKAs generally work with employers and consultants on the recordkeeping, non-discrimination testing and administrative aspects of 401(k) and other defined contribution plans.

Qualified Pension Administrator - QPA

Technical professionals focusing on qualified plan administration. QPAs perform functions such as determination of eligibility, computation of benefits, plan recordkeeping, compliance, trust accounting, reporting and disclosure. QPAs are well-versed in defined contribution and defined benefit plan administration.

Certified Pension Consultant - CPC

Benefits professionals working as advisors in plan administration, pension actuarial administration, insurance and financial planning. CPCs work alongside employers to formulate, implement, administer and maintain qualified retirement plans.

ACTUARIAL CONSULTING

Member, Society of Pension Actuaries – MSPA

Enrolled Actuaries who have at least three years of responsible actuarial experience. MSPAs specialize in defined benefit plan consulting and actuarial certifications.

Fellow, Society of Pension Actuaries – FSPA

Qualified beyond the Enrolled Actuary status with proven analytical skills to provide actuarial services and consulting for all retirement plan types. FSPAs work alongside employers to formulate, implement, administer and maintain qualified retirement plans.

FINANCIAL CONSULTING

Qualified Plan Financial Consultant – QPFC

Accomplished financial professionals who specialize in retirement plans. QPFCs are typically financial advisors or investment professionals who hold other investment-related credentials and who have distinguished themselves in the retirement plan arena by earning the QPFC credential.

PROFESSIONAL MEMBERS

Associated Professional Member - APM

Retirement plan professionals who have obtained other credentials related to law, accounting, actuarial science, financial science, insurance or related disciplines. Professionals from these and other associated disciplines with a minimum of three years experience in retirement-related activities qualify for APM membership without ASPPA examination requirements.



Long Term Care—A New Benefit Available To ASPPA Members

by Lawrence Wiener, APM

Few people in our society understand the nature of current changes in demographics better than our pension community. Mortality rates used by the government and insurance companies have been adjusted numerous times over the last ten years. Morbidity rates, however, have not been keeping pace with their cousin. People are living longer and requesting more health services than ever before, and the health care system, if not broken, is in a very fragile state.

It is not surprising then that one of the most popular forms of insurance coverage today is Long Term Care (LTC). This form of insurance provides a daily payment by the insurance company when an individual is in claim status, similar to disability coverage.

A protracted illness can cause devastating financial results irrespective of the person's means. An individual's life savings or pension accumulated over a working lifetime can be erased in a flash. LTC insurance is intended to protect against such a loss. This form of coverage can also be of considerable benefit for those individuals who would prefer to stay homebound during a severe medical experience rather than be institutionalized in a nursing home or other such facility.

An insurance claim under an LTC policy can be made under one of two circumstances. If, as a result of an accident or chronic illness, the insured cannot perform two or more certain daily tasks without assistance (e.g., bathing, clothing, going to the bathroom, getting out of bed and into a chair) claims will be paid. The second circumstance results from a loss of mental acuity.

There are three basic forms of coverage. The most popular form, which is not one I specifically recommend, is called Reimbursement. The insured incurs and pays the costs, forwards the receipt or proof of payment to the insurance company and is reimbursed up to the dollar limit covered by the contract. (I find it difficult to understand how someone who is incapable of going to the



A protracted illness can cause devastating financial results irrespective of the person's means.


bathroom on his or her own is in a position to organize his or her affairs and comply with such a process.) The second form is called Indemnity. If the insured receives an hour or more of service during the day, full payment based on the dollar coverage of the contract is forthcoming. The third form is called Cash Benefit. Once the individual is on claim they will receive a check covering the entire month from the insurance company for the duration of the health related problem. This third method is the Rolls Royce format and premiums are commensurate with the quality of coverage.

There are numerous variables to be considered when purchasing an LTC policy. How long does one wait after incurring such an illness or accident before receiving claims payments? (This waiting period, called the "elimination period," has a strong bearing on the premium cost.) How long will payments be made once they commence? (The insured can apply for coverage that lasts for anywhere from five years to a lifetime of payments.) Should the coverage be increased annually and automatically to keep pace with inflation? How long should premium payments be made before the

plan is self-completing? Refund of premium features and defining family members as caregivers are also choices that can be included as part of an LTC contract.

“C” corporations that choose to contribute toward premium costs can take deductions for such costs. This tax advantage leads to a choice of paying for such a policy on a single-premium basis or perhaps on a ten-year basis. Though this form of policy is “guaranteed renewable,” it is not “non-cancelable.” This distinction simply means that the insurance company cannot void such an insurance contract, but it can increase the premium—giving even greater impetus to paying premiums on a limited basis. Certainly, when buying this type of coverage, one needs to deal with an experienced professional who can help tailor coverage to meet personal needs and financial considerations.

ASPPA is introducing long term care coverage for its members as a value-added service. Coverage will be made available to any member or employee of a member. The purchase of this coverage can be made by an individual on a stand-alone basis or as a part of an employee benefit available to employees. Three or more individuals on a common billing will result in a 5% premium discount. Additionally, a significant discount will be made available for married couples. It is the prerogative of the member as to whether the coverage is made available to employees at the employee’s expense or, alternatively, fully or partially paid for by the employer. An attempt has been made to choose the most flexible form of coverage (Indemnity) because of

the diverse community within ASPPA. Brochures are now available to explain such coverage and an agency has been engaged to answer questions, handle paperwork and service the policies. Please review the ASPPA Web site for more information at www.asppa.org/membership/member_ltc_a.htm, and your questions can be directed to Larry Wiener at lwclu@pensioninvestors.com. 



Lawrence Wiener, APM, CLU, ChFC, AEP, has been in the insurance industry for 40 years. His is the founder of Pension Investors Corporation, Florida’s largest and oldest TPA firm. He is on the qualified plans committee of AALU, a member of Top of the Table and of the International Forum. Larry’s background includes four years of activity with the US Treasury and four years as vice president and trust officer of a bank. He is past president of the Estate Planning Council of Greater Miami and on the board of the National Association of Estate Planners and Councils. Larry also serves on ASPPA’s Membership Committee. (lwclu@pensioninvestors.com)

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- **Mid-Atlantic Benefits Conference**
April 26 - 27, 2007
Sheraton Philadelphia City Center
Philadelphia, PA
[Pre-Conference Roundtable Discussion with Government Regulators](#)
April 25, 2007
Co-sponsored by ASPPA and the Internal Revenue Service.
- **Great Lakes Benefits Conference**
May 3 - 4, 2007
The Fairmont Chicago
Chicago, IL
Co-sponsored by ASPPA and the Internal Revenue Service.
- **DOL Speaks: The 2007 Employee Benefits Conference**
May 24 - 25, 2007
The Capital Hilton
Washington, DC
Co-sponsored by ASPPA and the Department of Labor/EBSA.

Visit www.asppa.org and register online today!



Welcome to ASPPA PAC

ASPPA's Political Action Committee (ASPPA PAC) welcomed these new members to the ASPPA PAC family in 2006. Also, thank you to the hundreds of other ASPPA members who continued their membership in ASPPA PAC in 2006.

Brianna C. Albrecht
 Diane M. Barton
 Louis A. Beckerman
 Cherie A. Beirau
 Jennifer L. Bufe, QPA
 Charlie L. Clark, III, QPA, QKA
 Jacquelyn L. Clouser, QPA
 Kevin T. Costello
 Sylvia DeSantiago
 John Di Roma
 Karen F. Dixon, CPC, QPA, QKA
 Mark K. Dunbar, MSPA
 Sam Eisen, APM
 Gregory W. Elnyczky, MSPA
 Renee C. Finnegan, CPC, QPA, QKA
 Richard C. Flower, CPC, QPA
 Sebastian C. Fogle, QKA
 Pamela G. Frazzitta, QKA
 George M. Gardner, Jr., CPC, QPA
 Greg Gaynier
 Jordan M. Glass
 James T. Gordon
 Peter Gould, CPC, QPA, QKA

John D. Hartness, Jr., APM
 Jarrett H. Hirano, QKA
 James M. Izett
 Joni L. Jennings Steele, CPC, QPA, QKA
 Bob A. Johnston
 Debra A. Kilham, QKA
 Charles J. Klose, FSPA, CPC
 Amy M. Koch
 Petros P. Koumantaros
 Elaine M. Leach
 Mary R. Ledbetter, QKA
 Timothy M. McCutcheon, APM
 Amy McGuire
 Kellie L. Miller, CPC, QPA
 George M. Morrison, APM
 Timothy E. Murphy
 Douglas C. Norberg
 Cheryl K. Oyadomari, QKA
 Sean D. Patton
 James C. Paul, APM
 Ben Planche
 Thomas E. Poje, CPC, QPA, QKA
 Rebecca Poore, QKA

Kevin P. Reynolds, CPC, QPA, QKA
 Alvaro Rodriguez
 Jay Thomas Scholz, CPC, QPA, QKA
 Sherilyn Schwartz
 Brian S. Secrest, QKA
 Larry W. Shippee, MSPA
 Lynn A. Shuppel, APM
 Seth F. Siegel, MSPA
 Bob W. Sinclair
 Debra L. Singer, QKA
 Julius Smetona, MSPA
 Brian Smith
 Robert A. Sosky, QPA, QKA
 Mary C. Stanek, CPC, QPA
 Peter K. Swisher, QPA
 Melinda Thomas
 Michael Tudor
 Bryan D. Uecker, QPA
 Edward J. Vigneau, MSPA
 Thomas E. Weinschenker, QPA
 Max E. Wyman, MSPA, CPC
 Janey Y. Yim, QKA

This list is a partial listing and only includes those who have given permission to print their names. Only ASPPA members may join ASPPA PAC. Contributions to political action committees are not deductible for federal income tax purposes. Federal law requires political action committees to report the name, mailing address, occupation and name of employer for each individual whose contributions exceed \$200 in a calendar year.

For information on joining ASPPA PAC, send an e-mail to jflores@asppa.org.

A Very Good Year for the ABC of Atlanta

by Joni Jennings Steele, CPC, QPA, QKA, and Adam C. Pozek, QKA, QPFC

The ASPPA Benefits Council (ABC) of Atlanta had a great year in 2006, building on previous successes and trying some new things along the way.

As we celebrated our 10th anniversary in 2006, our membership increased nearly 10% over 2005, surpassing 400 members for the first time.

Our programs committee has done a fantastic job of putting together events that keep the Atlanta benefits community coming back.

In 2006, we expanded our offerings to include a preparatory study course for the ASPPA Defined Benefit (DB) examination that candidates must pass to earn ASPPA's CPC and QPA credentials. Jeffrey A. Groves, MSPA, an Atlanta actuary, volunteered his time to facilitate the session using ASPPA's online webcourse. We had ten attendees, some of whom plan to take the exam and some of whom were just interested in learning more about DB plans.


During the spring, the ABC of Atlanta was a participating sponsor in the first annual Benefits Conference of the South (BCOS), co-sponsored by the IRS and ASPPA. With the BCOS, ASPPA and the IRS now co-sponsor events in all five IRS regions across the country. The ABC of Atlanta was pleased to subsidize the conference registration fees for our members who were also ASPPA members. We are looking forward to taking part in the second annual BCOS scheduled to return to Atlanta in September 2007.

The end of 2006 also brought the need to say goodbye to several of our long-time board members. Cynthia A. Groszkiewicz, MSPA, QPA; Carol J. Skinner, QPA; and Robert A. Habib have decided to step down after many years of dedicated service that helped lay the foundation for the ABC of Atlanta. Although we will miss their involvement, we are lucky that they will remain an active part of the Atlanta benefits community.

We are excited to welcome several new board members. Gina Farmer; Jeffrey A. Groves,

MSPA; and Deborah Jacobs will fill our three open positions. We are fortunate to bring on board three professionals from three different areas of the industry.

We are also pleased to announce that John D. Hartness, APM, a long time board member, has accepted the position of president-elect. John will take over as president beginning in 2008.

All in all, it was a very good year for the ABC of Atlanta, and we are looking forward to bigger and better things in 2007. 



Joni Jennings Steele, CPC, QPA, QKA, has over 15 years of experience in the retirement plan industry and is currently the director of consulting services for Pension Financial Services, Inc. She has focused primarily on the compliance administration of defined contribution plans. Joni is currently the president of the ABC of Atlanta, the ABC of Atlanta Liaison and Chair of the Webcast Subcommittee for ASPPA's Government Affairs Committee. She has been a member of ASPPA since 1999. (jonijennings@pfs401k.com)



Adam C. Pozek, QKA, QPFC, is a vice president at Swerdlin & Company, an Atlanta-based actuarial and pension consulting firm, where he specializes in plan design and compliance issues for qualified retirement plans, including plan documents, mergers and acquisitions and voluntary corrections under the IRS and DOL programs. He is the Chair of ASPPA's ABC Committee, past president of the ABC of Atlanta and serves on ASPPA's Board of Directors and Government Affairs Committee. (apozek@swerdlin.net)

Bringing a National Focus to New England

by Ellen S. Houston, QPA, QKA

As I reflect on our first year as an ASPPA Benefits Council (ABC), I am pleased by the level of interest in the ABC of New England's continuing education, professional development and local networking opportunities.

The ABC of New England has had the pleasure of hosting several nationally known speakers and the regional director of the Department of Labor, bringing together retirement plan professionals from various backgrounds.

Our 2006 topics included the Roth 401(k), DOL Audit Initiatives, Washington Update and a half-day session on the Highlights of the 2006 ASPPA Annual Conference. Our year concluded with our annual business meeting and dinner. In all, we had 155 registrants for the four workshops. Our membership has grown to 62 individual and corporate members. We have been fortunate to secure three corporate sponsors to help keep the costs to a minimum for the attendees.

At our most recent event, Robert M. Richter, APM, of SunGard presented the highlights of the 2006 ASPPA Annual Conference affecting defined contribution administrators. We expect this well-attended half-day workshop to become a staple in our calendar as it presents the local community with an opportunity to get a flavor for the enormous benefit of participating in ASPPA at the national level. During his comprehensive presentation, Robert was able to provide insight from ASPPA's Government Affairs Committee regarding the presentations they have made to various congressional and government representatives. The meeting also provided

a forum for participants to discuss among themselves their concerns with the timing and interpretation of PPA provisions affecting participant notices, default elections and automatic enrollment.

Some of our goals for 2007 include directing more of our members to become national ASPPA members, encouraging them to become involved as volunteers and to increase our support of ASPPA examination candidates. There are several workshops scheduled for 2007 including a full-day ERISA workshop with Sal L. Tripodi, APM, and the highlights of the 2007 ASPPA Annual Conference. In addition, we will be offering our first 2007 workshop on correcting plan defects.

In all, it was an exciting and satisfying experience to be part of the ABC of New England in its initial year. We look forward to providing a full schedule of workshops that offer local retirement plan professionals affordable access to diverse speakers, relevant topics and the opportunity to benefit locally from ASPPA's national initiatives. ↗



Ellen S. Houston, QPA, QKA, is a senior retirement plan consultant for Sentinel Benefits Group, Inc. in Wakefield, MA. She has over 20 years of experience in retirement plan administration and is the current president of the ABC of New England. (ellen.houston@sbg.com)

Share Your Knowledge. Make a Difference.

Volunteer for ASPPA

ASPPA offers members opportunities to share their time and expertise with others through its various working committees. If you are interested in volunteering for ASPPA, please log on to the ASPPA Web site at www.asppa.org/membership/member_vol.htm and complete the Volunteer Position Application.

ABC of Western Pennsylvania is Busier than Ever

by Stephanie M. Hepler, QPA, QKA

The ASPPA Benefits Council (ABC) of Western Pennsylvania (Pittsburgh) was very busy in 2006 trying to stay abreast of IRS Revenue Notices and Procedures as well as new legislation. Our chapter normally holds quarterly luncheon meetings, but in 2006 we had to shuffle our schedule to keep up with all of the changes!

We scheduled our April 2006 meeting in anticipation of the release of the IRS Revenue Procedure updating the Employee Plans Compliance Resolution System (EPCRS), but since it was not issued until May, we rescheduled the meeting for June. Our own vice president, Gary J. Gunnett of Houston Harbaugh, PC, updated us on Revenue Procedure 2006-27. The meeting was well attended, mostly because of the speaker, but then again, who could resist attending a meeting titled “Dealing with Qualified Plan Problems: If it ain’t broke, don’t fix it; but if it is broke, what do you do?”

In July we welcomed Timothy M. McCutcheon, president of Fort William, LLC, to review the final 401(k) regulations. We expected them, we reviewed them when they were first published and then promised ourselves that we would revisit them closer to the effective date. Well, it was time to revisit them! The program was well received by both members and non-members alike.

Every August we host a “members only” social gathering. Last year we again hosted a night out that began with a happy hour and ended with a Pirates baseball game at PNC Park. It was a great time made even better because the Pirates actually won the game!

Also in August, the Pension Protection Act of 2006 was signed into law. We immediately scheduled a meeting for early September to cover the changes to both defined benefit and defined contribution plans. We utilized the talents of local actuaries Mark K. Dunbar, MSPA, and David M. Lipkin, MSPA, for the defined benefit portion and local Certified Pension Consultants Diane M. Barton, CPC, QPA, QKA, and Becky L. Hummer, CPC, QPA, for the defined contribution portion.

Our speakers did a great job communicating the major provisions and their impact on qualified plans.


Our October meeting included a brief introduction to the new ASPPA Qualified Plan Financial Consultant (QPFC) credential as well as an overview of DC/DC combo plans. Our speaker, John S. Agatston, MSPA, did a fantastic job on both topics. This program attracted many first time attendees from the local financial community.

The final meeting of the year is always a gala event and was held on December 6, 2006. It was an afternoon of learning and fun. Ilene H. Ferenczy, CPC, joined us to discuss two topics: The 15 Pitfalls of Plan Administration and Plan Terminations, Freezes and Mergers. The meeting concluded with a cocktail reception and an auction. This year our cocktail reception was sponsored by The Hartford. This meeting is always a great way to end the year and get ready for the upcoming busy season!

We have already lined up national and local speakers for 2007 and are looking forward to another great year. Our meeting topics are based on input from members and non-members alike. Meeting information will be posted on the ASPPA Web site as it becomes available.

Finally, we would like to recognize our current board members:

President Michael A. Viola, CPC, QPA	Program Chair & ASPPA Liaison Russell D. Smith, CPC, QPA, QKA
Vice President and Gov’t Affairs Coordinator Gary J. Gunnett	Continuing Education Chair Michael W. Steve, QPA
Treasurer Marcie Weaver	Membership Chair David A. Pribozie, CPC, QPA, QKA
Secretary Stephanie M. Hepler, QPA, QKA	Meeting Chair Coordinator Peggy Kelly

For more information about the ABC of Western PA, including membership, registration and upcoming events, contact David Pribozie, membership chair, at dpribozie@dbzinc.com or 412.263.0102. 



Stephanie M. Hepler, QPA, QKA, is an administrator with Dunbar Bender & Zapf, Inc., an actuarial and employee benefit consulting firm in Pittsburgh, PA. She has been in the employee benefits field for almost 20 years. Her experience includes plan design, administration and compliance. (shepler@dbzinc.com)

ASPPA Calendar of Events

Date	Description	CE Credits
Feb 15	Renew your ASPPA membership for 2007	
Feb 25 - 27	The ASPPA 401(k) SUMMIT 2007 • San Diego, CA	15
Apr 13	Early registration deadline for spring examinations	
Apr 26 - 27	Mid-Atlantic Benefits Conference • Philadelphia, PA	15
May 3 - 4	Great Lakes Benefits Conference • Chicago, IL	15
* May 13	Final registration deadline for spring examinations	
May 14 - Jun 29	Spring 2007 examination window (DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2)	
May 22	C-3 examination	
May 24 - 25	DOL Speaks: The 2007 Employee Benefits Conference • Washington, DC	15
Jun 5 - 6	Advanced Actuarial Conference • Boston, MA	15
Jun 7	Northeast Area Benefits Conference • Boston, MA	8
Jun 8	Northeast Area Benefits Conference • New York, NY	8
July 22 - 25	Western Benefits Conference • San Francisco, CA	20
Sep 14	Early registration deadline for fall examinations	
Sep 20 - 21	Benefits Conference of the South • Atlanta, GA	15
Oct 19	Final registration deadline for fall examinations	
Oct 21 - 24	ASPPA Annual Conference • Washington, DC	20
Nov 1 - Dec 14	Fall 2007 examination window (DB, DC-1, DC-2, DC-3, PFC-1 and PFC-2)	
Nov 15	C-4 examination	
Dec 31	RPF-1 & -2 examination deadline for 2007 online submission (midnight, EST)	

* Please note that when a deadline date falls on a weekend, the official date shall be the first business day following the weekend.

ABC Meetings Calendar

February 21

ABC of Atlanta

Cash Balance Plan Workshop
Barry Young

February 27

ABC of Greater Cincinnati

LM 10/LM 30—What You Need
to Know
Frank J. Bitzer

March 22

ABC of Atlanta

Nonqualified Deferred
Compensation Plans Workshop
(Final 409A Regulations)
Joseph M. Few and
Roger T. Weitkamp

March 22

ABC of Detroit

Form 5500 Issues
Janice M. Wegesin, CPC, QPA

March 27

ABC of Greater Cincinnati

TBD
Craig P. Hoffman, APM

April 26

ABC of Atlanta

EGTRRA Restatements Workshop
Richard A. Hochman, APM

April 19

ABC of South Florida

Full-day ERISA Seminar
Sal L. Tripodi, APM

April 25

ABC of New England

Full-day ERISA Seminar
Sal L. Tripodi, APM

May 24

ABC of Atlanta

Prohibited Transactions Workshop
Ilene H. Ferenczy, CPC, and
John D. Hartness, Jr., APM

June 21

ABC of Atlanta

Corrections Programs Workshop
Ilene H. Ferenczy, CPC, and
John D. Hartness, Jr., APM

September 20

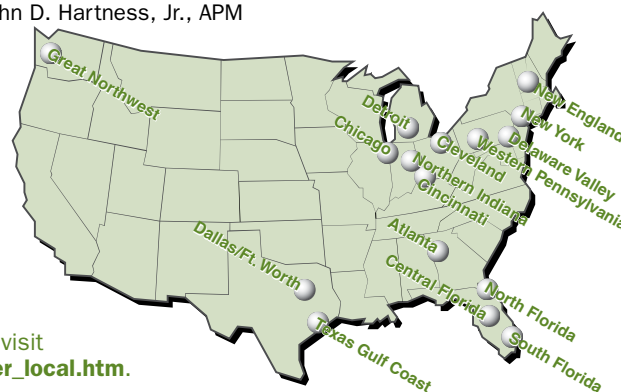
ABC of Detroit

Full-day ERISA Seminar
Sal L. Tripodi, APM

November 1

ABC of Atlanta

Automatic Enrollment Workshop
Adam C. Pozek, QKA, QPFC



For a current listing of ABC meetings, visit
www.asppa.org/membership/member_local.htm.

Fun-da-Mentals

Sudoku Fun

Every digit from 1 to 9 must appear:

- In each of the columns,
- in each of the rows,
- and in each of the nine mini-boxes

	5			6			4	
		6		5		1		8
					4	5		
				8				4
6		3			9	8		
	2	5	7		3			
					2		1	
			1	7	6			
					8	6		7

Level = Moderate

Answers will be posted on ASPPA's Web site in the Members Only section. Log in. Click on *The ASPPA Journal*. Scroll down to "Answers to Fun-da-Mentals."

McHUMOR by T. McCracken



"Just because I can leap tall buildings in a single bound doesn't mean I can understand the tax code."

Word Scramble

Unscramble these four puzzles—one letter to each space—to reveal four pension-related words.

RED FUN _ _ □ _ _ □ _ _ _

VET SIN _ _ _ □ _ _ □ _

RAN HOP _ _ _ _ _ □ □ _ _

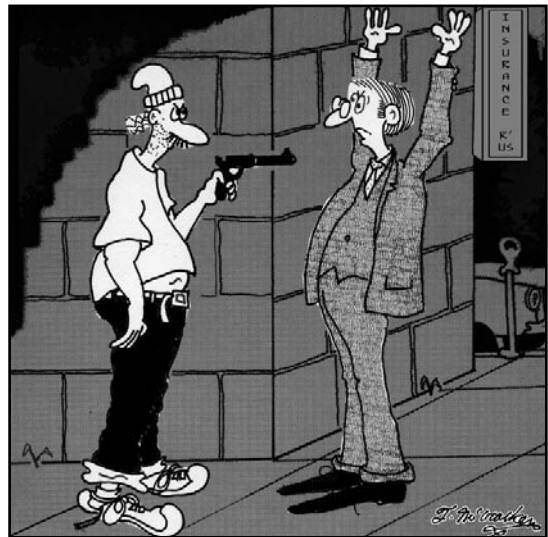
LAND RACE □ _ □ _ _ _ _ □ _

BONUS: Arrange the boxed letters to form the Mystery Answer as suggested by the cartoon.

Mystery Answer:

To increase his own _ _ _ _ _ .

Answers will be posted on ASPPA's Web site in the Members Only section. Log in. Click on *The ASPPA Journal*. Scroll down to "Answers to Fun-da-Mentals."



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