

A Time Table for the Pension Protection Act

The Pension Protection Act of 2006 (PPA) continues to reshape how we look at retirement planning. 2007 was very busy year for sponsors enacting many of the groundbreaking provisions outlined in the PPA, and 2008 promises to be equally active. The following chart provides a high-level review of the timetables outlined by the PPA; please note this timetable is subject to change.

| Timetable for Enacting the Pension Protection Act of 2006 | |
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| Currently Enacted | <p>EGTRRA provisions are made permanent including:</p> <ul style="list-style-type: none"> ○ Increased contributions limits ○ Roth 401(k) ○ Age 50 catch up contributions <p>DOL issued safe harbor protection for qualified default investment alternative (QDIA) that affords 404(c) protection assuming annual notice requirements are met. Approved QDIAs include:</p> <ul style="list-style-type: none"> ○ Target retirement date funds ○ Balanced funds ○ Professionally managed accounts <p>State wage garnishment laws for Automatic Enrollment may be pre-empted by ERISA</p> <p>Hardship withdrawals are available for events affecting beneficiaries, even if the beneficiary is not the participant's spouse or dependent</p> <p>In-services distributions are allowed for participants in defined benefit plans that are 62 or older</p> <p>Non-spouse beneficiaries may make rollovers to IRAs</p> <p>Distribution notice is expanded from 90 days to 180 days</p> <p>Investment advice for participants is permitted. The sponsor is not liable for the advice provided if:</p> <ul style="list-style-type: none"> ○ A computer model is utilized, or fees received by an advisor do not vary by the investment chosen ○ Appropriate disclosures are provided to participants ○ Sponsor prudently selects and monitors the advisor |

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| | <p>Quarterly benefit statements are required if the participant is in a self directed plan</p> <p>A defined benefit plan participant statement is required a minimum of every three years, or an annual notice must be provided that details how to obtain a statement</p> |
| Calendar Year 2008 | <p>Direct rollovers to Roth IRAs will be permitted, assuming taxes are levied on the rollover and the participant's adjusted growth income is less than \$100,000</p> |
| Plan Year Beginning 2008 | <p>Automatic enrollment safe harbor features will allow plans to avoid ADP, ACP and top heavy testing if:</p> <ul style="list-style-type: none"> ○ The employee is given sufficient notice that he/she may opt out of the plan or make an affirmative deferral election ○ The automatic deferral percentage does not exceed 10%, and is at least 3% the first year, and increases by a minimum of 1% for the for three years up to 6% ○ The sponsor matches at least 100% of the first 1% of participant's deferral, 50% of the next 5% of participant's deferrals; or makes a 3% non-elective contribution <p>Cash balance plans must utilize an interest crediting rate that does not exceed a market rate of return, and participants must be vested in a three year cliff schedule.</p> <p>Testing incentives will encourage automatic enrollment via:</p> <ul style="list-style-type: none"> ○ Extending ADP/ACP deadlines and rollbacks from 2 ½ months to 6 months, without participants incurring the 10% excise tax; ○ Allowing excess contributions distributed within that period to be taxed to the participant in the taxable year of the distribution; ○ Not including the amount distributed in gap earnings. <p>Distributed excess contributions will not be required to include gap earnings</p> <p>Participants may opt out of the plan within 90 days of their automatic enrollment; when opting out, the amount distributed:</p> <ul style="list-style-type: none"> ○ Will not be subject to a 10% excise tax ○ Will not be taken into account under the ADP test <p>404(c) relief is extended so a plan sponsor will not be liable for any loss incurred during a blackout period assuming ERISA requirements are met in authorizing and implementing the blackout period</p> <p>404(c) relief will be granted for the mapping of a participant's account following a qualified change in investment options</p> <p>New funding and benefit restrictions will become effective for defined benefit plans</p> <p>Defined benefit plans will offer multiple survivor annuity options to participants</p> <p>Lump sum distributions from defined benefit plans will be determined by a true segment yield curve approach</p> |
| Plan Year Beginning 2008 | <p>Creation of a DB(k) , a new combined defined benefit and 401(k) plan</p> |

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