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Welcome to Fiduciary Insights, the monthly newsletter that keeps you in touch with issues, trends, events, and insights of significance to individuals connected with the retirement plan industry. The articles have been carefully selected from a variety of high quality sources.

In this issue

General Issues

[Perceptions of Retirement Preparation](#)

[Basic Principles of the Blackout Notice](#)

[The 5500 Nightmare: Completing the Schedule C](#)

[Providers Vie for TPA Attention](#)

[Safe Harbor 401k Top-Heavy Plans](#)

[CITs Make a Comeback Within 401k Plans](#)

[The Top Ten Things to Do If Your 401k Plan Fails Nondiscrimination Testing](#)

[Financial Education in 'Living Color'](#)

[Participant Understanding Greatest Challenge for DC Sponsors](#)

[Painting a Realistic Retirement Picture](#)

[The DB\(k\)'s Day Arrives](#)

403(b) Plan Items

[DOL Updates Guidance for Certain 403\(b\) Plans](#)

Commentary

[Will Annuities Be Mandatory in Qualified Plans?](#)

Research

[Schwab Finds More Workers Rolling 401k Funds Into IRAs](#)

[Americans' Confidence Stabilizing, but Preparations for Retirement Erodes](#)

Court and Legislative Items

[ASPPA Lauds Senate for Adopting Roth Conversion Proposal](#)

DOL, IRS and SEC Items

[Retirement Industry Should Get Ready for Fee Disclosure](#)

[IRS Audits and Bonding for 401k Plans](#)

[IRS Issues Tax Tips on Early Distributions from Retirement Plans](#)

[DOL Rules to Enhance Retirement Advice and Transparency Announced](#)

[DOLs 401k Proposal Could Rock Pension Advice Business](#)

General Items

Perceptions of Retirement Preparation

Summary: Is a significant portion of us right on track to retire with the nest eggs we'll need? Or, are American workers doomed to work-'til-we drop because we're perennial under-savers? Get used to this kind of confusion. As 77 million baby boomers head toward retirement, more and more financial firms are shifting their focus to the distribution/withdrawal stage of an investor's life as opposed to his/her asset accumulation savings stage. The race is on to come with a formula, process, or products that can ease boomers' twin worries about retirement: 1) Will I be able to afford the lifestyle I want? and 2) How can I be sure I don't run out of money?

Located at: Foxbusiness.com.

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Basic Principles of the Blackout Notice

Summary: A blackout period is defined as a period of more than three-business days during which a participant has been "temporarily suspended, limited or restricted" from any one of the following: directing or diversifying assets credited to their account, obtaining a distribution, or obtaining a loan. This article covers the basics. Located at: McKay Hochman.

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The 5500 Nightmare: Completing the Schedule C

Summary: Recordkeepers, bundled plan providers, third party administrators, broker-dealers, RIAs, investment managers, and mutual fund complexes are all struggling . . . with the new Schedule C. This is a review of some issue you should be familiar with. Located at: Reish & Reicher (PDF File).

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Providers Vie for TPA Attention

Summary: Particularly in the small-plan market, retirement plan providers are seeing more business come through third-party administrators (TPAs)—and, as a result, are ramping up their efforts to attract TPAs. Located at: Planadviser.com.

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Safe Harbor 401k Top-Heavy Plans

Summary: If a plan becomes top heavy and any key employee has had an allocation (including elective deferrals) of 3% or more, then the employer must provide an allocation of 3% to all eligible non-key employees. However, if it is a safe harbor 401k plan, the employer is already providing a contribution, so there are special top-heavy rules that apply to safe harbor plans. Located at: McKay Hochman.

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CITs Make a Comeback Within 401k Plans

Summary: The recent market's turmoil, along with some high-profile lawsuits, has turned a spotlight on mutual funds' pricing, and that has spurred a resurgence in a product that many 401k plans had historically neglected: collective investment trusts. Located at: American Banker.

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The Top Ten Things to Do If Your 401k Plan Fails Nondiscrimination Testing

Summary: 401k plan sponsors generally do not relish the annual call from their consultant with their plan's nondiscrimination testing results. If your plan regularly passes testing, that's great news. However, if you are not so fortunate or your plan is on the cusp, there are steps you can take to greatly increase your plan's chances of success. This article discusses those choices.

Located at: TRI-AD.

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Financial Education in 'Living Color'

Summary: Employees may have equal access to 401k plans, but participation is anything but equal. The recent release of Ariel Investments' and Hewitt Associates' study confirms what individual client studies have shown for years - that ethnicity is the number one predictor of 401k behavior. Located at: Employee Benefit News (free registration may be required).

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Participant Understanding Greatest Challenge for DC Sponsors

Summary: Sponsors of 401k plans are concerned that employees don't understand their retirement plans, yet many of those same organizations are not increasing efforts to improve member understanding and education over the next year or two. Located at: Employee Benefit News (free registration may be required).

[Click here to read article](#)

Painting a Realistic Retirement Picture

Summary: Proposal to require plan sponsors to project participants' 401k account balances into lifetime income comes with a minefield of potential problems. Located at: Employee Benefit News (free registration may be required).

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The DB(k)'s Day Arrives

Summary: After years of talk, the DB(k) finally became available to small employers on January 1st, but not many companies appear likely to adopt the plan-design option this year. Located at: Plansponsor.com (free registration may be required).

[Click here to read article](#)

403(b) Plan Items

DOL Updates Guidance for Certain 403(b) Plans

Summary: Employers sponsoring 403(b) plans should review the DOLs FABs 2009-02 and 2010-01 (this document provides an overview) to ensure compliance for the plan year 2009 Form 5500 filing. Early preparation is advised as plan year 2009 is the initial year for electronic filing under the DOLs EFAST2 protocol. Located at: Milliman (PDF File).

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Commentary

Will Annuities Be Mandatory in Qualified Plans?

Summary: Whatever happens with respect to any requirement for longevity guarantees, the entire process will require careful analysis to ensure that employees are, in fact, afforded meaningful guarantees. This analysis entails not merely the method of providing the longevity guarantee, but also the percentage of retirement assets that must be subjected to such a guarantee. Located at: Morningstar.

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Research

Schwab Finds More Workers Rolling 401k Funds Into IRAs

Summary: New data from Charles Schwab shows that more people are rolling 401k savings into an IRA when leaving a job. According to Schwab data, 69 percent of assets held by 401k participants who left their job in the fourth quarter of 2008 had been distributed from former employers' plans one year later by the end of 2009. Located at: 401khelpcenter.com.

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Americans' Confidence Stabilizing, but Preparations for Retirement Erodes

Summary: Americans' confidence in their ability to retire appears to be stabilizing, now that the economic volatility of the recession has abated, but their self-described preparations for retirement continue to erode, according to the 2010 Retirement Confidence Survey. Located at: 401khelpcenter.com.

[Click here to read article](#)

Court and Legislative Items

ASPPA Lauds Senate for Adopting Roth Conversion Proposal

Summary: Thanks to a new provision in legislation being considered by the Senate, workers may not have to give up the advantages of an ERISA 401k plan to take advantage of the special 2010 Roth conversion rules. Located at: 401khelpcenter.com.

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DOL, IRS and SEC Items

Retirement Industry Should Get Ready for Fee Disclosure

Summary: The U.S. Department of Labor hopes to have its revisions to the service provider fee disclosure regulations out by May, according to an official from the Employee Benefits Security Administration. Located at: Planadviser.com.

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IRS Audits and Bonding for 401k Plans

Summary: The IRS has recently announced the results of two of its LESE (Learn, Educate, Self-Correct and Enforce) audit projects. For both projects, the most common violation was the failure to adequately bond the plan as required by ERISA section 412. Located at: Reish & Reicher.

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IRS Issues Tax Tips on Early Distributions from Retirement Plans

Summary: Some taxpayers may have needed to take an early distribution from their retirement plan last year. The IRS wants individuals who took an early distribution to know that there can be a tax impact to tapping your retirement fund. Here are ten facts about early distributions. Located at: CCH.

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DOL Rules to Enhance Retirement Advice and Transparency Announced

Summary: The U.S. Department of Labor announced two new rules designed to enhance retirement security and transparency for the millions of workers covered by 401k, pension and other retirement arrangements. The first of the two rules would ensure workers receive unbiased advice about how to invest in their individual retirement accounts or 401k plans. Located at: 401khelpcenter.com.

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DOLs 401k Proposal Could Rock Pension Advice Business

Summary: The Labor Department released proposed regulations that prohibit financial advisers giving advice to 401k plans, or their employer or the employer's affiliates, from receiving extra compensation because the plan sponsors bought a product recommended by the adviser. Located at: Investmentnews.com (free registration may be required).

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Please consult a financial, tax or legal professional for further information related to any of these articles.