



Bi-Monthly Report

March - April 2007

Volume 16 Issue 2

Participant Benefit Statements and the Pension Protection Act of 2006

Introduction

The Pension Protection Act of 2006 (PPA) made several changes to pension law. This report discusses the new benefit statement requirements. The most significant changes were made to participant statements for defined contribution (e.g., 401(k), profit sharing, money purchase) plans which provide the participants the option to direct the investment of their accounts (self-direction). These requirements do not apply to one participant plans (which include husband and wife only or partner only plans). Based on current guidance, these statements must be provided no later than 45 days after the end of the period.

Defined Contribution Plans Which Permit Self-Direction

Plan sponsors are now required to distribute benefit statements to participants no less frequently than **quarterly**. For calendar year plans, the March 31, 2007 quarterly statements have a distribution deadline date of May 15, 2007. The statements must include the following information:

1. the participant's total account balance
2. the value of the assets allocated to each account
3. the participant's vested account balance
4. any restrictions, based on plan provisions, on the direction of the investments
5. information regarding diversification of assets
6. a reference to the Department of Labor website regarding investment information
7. an explanation of permitted disparity if used in the allocation of the Employer contribution

Compliance

The PPA does not require all the pieces of the information above to be consolidated onto one statement; the statements may come from "multiple sources." Different entities usually maintain different data files. For example, a mutual fund or insurance company may have the account balance information, and the pension firm, the vesting information. If multiple statements are used to provide the information, the participants must receive a notice stating that more than one statement will be distributed.

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Compliance Continued

The Department of Labor has yet to issue all the final guidance needed with respect to complying with the benefit statement requirements. In the meantime, good faith compliance may be used for those items needing further guidance. For example, it appears that the vesting percentage can be determined annually and does not have to be updated each quarter.

Defined Contribution Plans Which Do Not Permit Self-Direction

If a defined contribution plan does not permit participants to direct the investment of their accounts, then a benefit statement must be provided at least once each year. For calendar year plans, the December 31, 2007 statements must be distributed no later than February 14, 2008. Information that has to be included in the statement are Items 1, 2, 3 and 7 previously enumerated.

Defined Benefit Plans

Sponsors of defined benefit plans are required to provide a benefit statement to participants no less frequently than once every three years, or annually if requested by the participant. Items of information to be included in the statement are the amount of total benefits accrued, the vested accrued benefit or the earliest date on which the accrued benefit will become vested, and an explanation of permitted disparity if used in the determination of the participant's benefit.

Distribution of Benefit Statement

The benefit statement must be written in a manner to be understood by the average plan participant. It may be delivered in written or electronic format as long as it is reasonably available to the participant. If a participant is not provided with the required benefit statement, penalties may be \$100 per day, per participant. Such amount is within the court's discretion.

Pension Review Services will provide supplemental notices to our clients for whom we provide administrative services. Participants should receive these notices in addition to the investment providers' statements.

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