

# BenAlert

## *Benefit Trends and Legislative Updates*



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Howitt Insurance Services is pleased to provide you with periodic updates on benefit trends and legislative updates. As part of our valuable services, we want to ensure that you are in compliance and well-informed of the ongoing changes in our industry.

## **Pension Protection Act of 2006**

The Pension Protection Act of 2006 is one of the most significant pieces of retirement plan legislation since the enactment of the Employee Retirement Income Security Act of 1974 ("ERISA") more than 30 years ago. The Act makes many changes to the rules governing retirement plans that will affect nearly every plan sponsor and participant. It is a clear message that Americans need to save more for their retirement and Employers now have more tools to help them.

### **About the Pension Protection Act of 2006 ("the Act")**

As passed by Congress, the legislation includes provisions that affect:

#### **Retirement Security:**

- Permanently extends The Economic Growth and Tax Relief Reconciliation Act of 2001's ("EGTRRA") provisions for increased IRA and workplace retirement plan contribution limits; "catch-up" contributions for workers age 50 and older; and the Roth 401(k); these provisions were slated to expire via sunset clause after 2010.
- Expands use of lifecycle funds by providing guidance as to how they may be used as a default investment in workplace plans. (The U.S. Department of Labor is currently required to issue a safe harbor for certain default investments within six months from the act being signed into law.)
- Encourages expanded use of automatic features by providing a safe harbor for workplace plans that adopt automatic enrollment and automatic contribution increase features.

#### **Investment Advice for Retirement Plans:**

- Provides relief from current ERISA prohibitions on providing advice for workplace savings plans, including 401(k) and IRAs, as long as the advice is provided using a computer model which meets certain requirements and is certified by an independent third party.

- As an alternative to the computer model, firms may offer advice if the advisor's compensation does not vary based on the investments selected by participants.

**529 Plans:**

- Permanently extends favorable federal tax treatment of qualified distributions and other benefits of college saving 529 plans, which had been set to expire after 2010.

**Pension Funding:**

- Accelerates and increases funding requirements for defined benefit pension plans.

**Annuities:**

- Allows the addition of long-term care riders in annuity contracts.

These are only a few of the provisions included in the Act. Some provisions in the legislation, particularly with respect to defined benefit plans, are set to take effect on January 1, 2008. Others, however, such as the investment advice provisions, are effective January 1, 2007. The effective dates of other provisions may also vary.

Please contact us for more in-depth information on these new regulations.

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*Howitt Insurance Services is not an attorney firm. We advise you to consult with your attorney, CPA or independent counsel on tax and employment matters.*