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METRO NEWS -Report # 79 **September 27, 2011**

To our clients and friends:

This is another in a series of newsletters designed to keep you clearly informed of current events in the area of retirement plans. (plus whatever other stuff I find interesting ...)

(Further) Update on Fee Disclosure:

The DOL has extended the due date for this disclosure to the first part of 2012. The investment firm will need to provide information about the expenses taken out of the fund ("where do they go and who gets that money?"), while firms like us will need to provide disclosures about what administrative fees may be deducted from an account. This information will be provided to both the plan member and the employer.

Metro Updates:

Please join me in welcoming Michelle Conti, who just recently started with us. Also, we are pleased to announce that Leann Malloy has passed another professional exam, and has achieved a QPA designation. ("Qualified Pension Administrator").

Going Up?

Have you seen the new elevators? At the DOL offices in Philadelphia, there are no buttons inside the elevator. Instead, you punch in the floor you want to go to on a keypad outside the elevator. Then, when the next car comes down, there are numbers that light up that tell you what floor it is going to (hopefully yours). Have you seen this? Do you think it is more efficient? Would you like it?

Age 70 ½ Rules:

Be aware that this is one area where the 401k rules are different than the IRA rules. With an IRA, there are no exceptions (unless it is a Roth); you must start taking your money out when you reach this age. Note that the first year payout can be delayed until April 1 of the following year, but if you do that, you'll have a double-payout in year two.

In qualified plans, however, non-owners do not have to take their money out, assuming that they continue to work past age 70 ½. A Roth 401k has this same age 70 ½ rule, but if you roll from a Roth 401k to a Roth IRA, then you get the special rule that requires no age 70 ½ payouts at all from a Roth IRA. Some people are very excited about this ability to bypass these payout rules.

If and when you do start taking forced payouts, the required payout assumes that (a) you have a spouse, (b) who is 10 years younger than you, and (c) you are taking the money out over both of your life expectancies (“joint”). This is good for you, as it equates to (only) about a 4% required payout at that age. Finally, the most common mistake that people make is that they first roll their 401k money to the IRA, with the intention of then taking out the entire required annual payout from that IRA. This does not work! The mandatory annual 401k payout must be distributed first; it is not “eligible” for rollover to the IRA. Call us if questions

Southwest Seating Options:

What is your strategy? Do you pay the extra \$ 10 to get an early boarding pass? My concern is that *you* get to pick *your* seat just fine, but then you have no control if an oversize/smelly/loud/obnoxious person chooses to sit next to you. Perhaps boarding in the middle is better? It also may help to know if the flight is full. If not, then maybe you and your friend can sit in the window and aisle, hoping/praying that no one sits in between you. This works best if you sit in the back of the plane, as most people pick the front automatically. It also helps to cough/sneeze/make other bodily noises if you try this, to make that middle seat even less attractive. (Note: we have found that brandishing an air sickness bag at this critical moment may be useful.) This would be the time to share *your* strategies/ideas with me, so I can share them with our other readers. (david@metrobenefits.com)

What does Metro do?

Our corner of the retirement plan industry is pretty obscure, so let me take a moment to illuminate what it is that we do. We started in 1986 as an actuarial firm (“we” = “me, out of my house”). I had thought that I would be providing traditional actuarial services to corporate pension plans. Before long, two things became evident:

- a. Many of those corporate pension plans were terminating, so there might not be too many “traditional, pension” customers. At the same time,
- b. 401k plans were flourishing. The employers who operated these 401k plans needed administrative help, such as discrimination testing, tax returns, plan documents, etc.

Today, we still do some traditional pension actuarial work (for perhaps 50-60 plans), but our main thrust is 401k plan administration. (800 + plans.) We also do some odd jobs, such as plan document work for plans that other firms administer, tax forms for welfare

benefit plans, calculations for “non-qualified plans”, and we also administer “orphan plans” for the DOL, that are directed to us via Court Order.

In addition to doing the “paperwork”, we are also problem-solvers, in adjusting plan design to (carefully) solve employer problems. (“Must we cover all of our employees?” “How can we allow them access to their funds before age 65?” “Can we allocate more to some employees and less to others?” “May I take all of the employees’ funds out of the 401k to keep my business afloat?” A: NO!) I find this consulting to be the most rewarding part of my job.

We are compensated on a fee basis. This may be a flat formula, or it could be based on hourly rates. We were also among the first firms to rebate the money we receive from investment firms back to the clients. The shorthand for what we do is called “TPA work”, which stands for “third party administration”; but I find that name confusing, and that is why I wanted to take this opportunity to expand. Let us know if we can help you!

New IRS Form 8955 Due Soon:

The annual tax return for a plan is called the 5500 form. There may also be several “Schedules” attached to that form. One of those schedules used to be called the “SSA”, and (the observant among you may note) this is the abbreviation for the Social Security Administration. The idea was that if an employee terminated from any plan with a vested benefit, it would be a good idea to alert the S. S. Administration to that fact, so that they could remind the person when they turned 65; this would diminish the likelihood of the benefit becoming “lost”. So this (old) SSA Attachment simply listed the terminated members who had a vested benefit.

This new tax form (8955) replaces the old SSA. The same information is reported. While the IRS/DOL redesigned this form, there was a hiatus in reporting. Accordingly, we now need to catch up for 2 years of terminees (2009 + 2010), and this new form is now due 1/17/12. If you have not had new terminees during these years (or if no previously-reported terminees were paid out), then you will not need to file the 8955 this year. We are going to try to e-file this form on your behalf, to the extent that we can do so.

Casino Actuarial:

I have always thought that most non-actuaries would be well served by having odds for the various games displayed at the casino. Apparently this information is required to be available in L.V. casinos. I found a brochure at the Aria, although it was not prominently displayed. Titled “The House Advantage – a Guide to Understanding the Odds”, it does set forth the house edge for every game. It includes some interesting tidbits:

- “the faster you play, the more you should expect to lose”
- While skill is helpful in some games, “it’s important to remember that the house continues to have a statistical advantage in every play of every game, even against a skillful player”.

- The brochure also provides a quick review of Probability 101
 - o “magical thinking”, such as rubbing a rabbit’s foot, might be fun to believe in, but it has no impact whatsoever.
 - o “cheating aside”, there is nothing a player can do to influence the outcome of any casino game
 - o “independent events” is a term that means that the next roll of the dice or spin of the wheel has absolutely nothing to do with the prior roll or spin, even if black has come up 10 times in a row.

Let’s chat!

What issues are on your mind? Is there anything that we can be doing better? (I want to know!) Drop me a note at david@metrobenefits.com . ☺

Best Wishes,
David M. Lipkin, MSPA, FSA, Editor

Good Luck!

David

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