



WHAT'S NEW ...

• **New electronic Data Requests and Form 5500**

The 2009 plan year end brings with it new data collection and Form 5500 filing procedures that will be done electronically. Look for special e-mails providing further details.

• **Electronic Data Requests**

In our continuing effort, "Going Green", Schloss & Co, LLC will be sending the 2009 plan year data request packages electronically using the email address you have supplied us. For plans covering ten (10) or more participants this will allow you to safely and securely transmit your employee census using one of two methods:

- **Zixmail:** through this secure encrypted email service you will receive an email request for the data and reply with an Excel spreadsheet attachment via return email.
- **Web "download":** through our secure web uplink, www.kplanlink.com, you can export your employee census directly into our on-site system. Detailed instructions are automatically provided to clients that want this option.

Plans covering under ten (10) participants will continue to receive hard copy data requests unless they request otherwise. Please contact your Retirement Plan Consultant, if you have any questions or would like to change your data request method.

• **EFAST2 Form 5500 Filing**

Beginning with the 2009 plan year, all plans other than those filing Form 5500-EZ (so called "Single Participant" plans) must file electronically. The process will begin starting January, 2010 when plan sponsors can obtain their EFAST2 credentials at www.efast.dol.gov. We will provide further details as soon as they become available. We will be using approved software to prepare the necessary filings to minimize your required input.

"We're Going Green"

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UPDATED 2010 EMPLOYEE BENEFIT INFORMATION – NO CHANGES FOR 2010

IRS has announced the 2010 employee benefits plan limits which are shown below in comparison with the 2009 figures.

| 2010 Value | 2009 Value | |
|------------|------------|---|
| \$ 16,500 | \$ 16,500 | Maximum elective deferral under 401(k), 403(b) and 457(b) elections. |
| \$ 5,500 | \$ 5,500 | Maximum "catch-up" elective deferral for employees age 50 and over under 401(k), 403(b) and 457(b) elections. |
| \$ 49,000 | \$ 49,000 | Maximum participant allocation under all defined contribution plans, including 401(k), matching, profit sharing, etc. Total allocation cannot exceed 100% of compensation. |
| \$ 245,000 | \$ 245,000 | Maximum compensation allowed for determining benefits, contributions and tax-deductible contributions for all retirement programs. |
| \$ 195,000 | \$ 195,000 | Maximum annual lifetime benefit allowed to be paid in a defined benefit plan commencing anytime between ages 62 and 65. |
| \$ 106,800 | \$ 106,800 | Social Security Taxable Wage Base taxed at 6.2%. |
| No Limit | No Limit | Medicare Wage Base taxed at 1.45% on all wages. |
| \$ 110,000 | \$ 110,000 | Salary in current year to be considered Highly Compensated Employee (HCE) in subsequent year. More than 5% owners (and their family members) in prior or current year are automatically HCEs regardless of salary. |

The above limits are increased only when the Cost of Living Adjustment (COLA) reaches the next rounded threshold. Certain figures are rounded **down** rather than up, and the increments are not uniform for all figures. Thus, some figures may change for a given year, while others may not.

DEADLINE REMINDERS

| Date | Action Required |
|----------|---|
| 2/1/10 | Distribute Form 1099-R to all recipients of 2009 distributions, including direct rollovers of lump sum payments to IRAs or other qualified plans, minimum required distributions and monthly pensions. File Form 945 to report any income tax withheld from 2009 distributions. |
| 3/1/10 | File Forms 1099-R using transmittal Form 1096 (applicable only to forms that are mailed to IRS). Deadline for large defined benefit plans (500 or more) to pay PBGC estimated flat rate premium for 2010 calendar plan year (\$35/participant). |
| 3/15/10 | Distribute 401(k) contributions plus imputed earnings to the Highly Compensated Employees from 401(k) Plans that fail ADP/ACP Test for 2009 calendar Plan year. Amount distributed is taxable 2010 income. (For non-calendar plans, distribute within 2½ months of plan year end). Employer subject to 10% penalty tax on distributions after this date. Eligible Automatic Contribution Arrangement (EACA) 401(k) Plans have until 6/30/10 to distribute 2009 excess contributions and imputed earnings. |
| 4/1/10 | Pay out first Required Minimum Distribution (RMD) to participants IN DEFINED BENEFIT PLANS ONLY who reach 70½ in 2009 and did not take the first payout by 12/31/2009. Second RMD due by 12/31/2010, with annual payouts thereafter. Participants with a valid TEFRA 242(b) election and non-owner employees born <i>prior to</i> July 1, 1917 may continue deferral of distributions until actual retirement. Non-owners attaining age 70½ in 1997 and beyond may also elect to defer if the Plan document is properly amended and a valid deferral form (with spousal consent) is timely signed, until actual retirement. DEFINED CONTRIBUTION PLANS (401(k), Profit Sharing, Money Purchase) are exempt from 2009 RMDs. |
| 4/15/10 | Distribute any 2009 salary deferrals in excess of \$16,500 (\$22,000 for employees age 50 or older) plus imputed earnings made to 401(k) Plans. Excess deferrals taxable as 2009 income and also 2010 income if distributed after April 15, 2010. Imputed earnings distributed in 2010 are taxable income in 2010. First Quarterly Contribution for 2010 due for calendar year defined benefit plans, unless notice is given to participants by 6/15/2010 or Plan is exempt. |
| 4/30/10 | 2009 Annual Funding Notice must be distributed for large (over 100 participants) defined benefit plans with 2009 calendar plan year to plan participants, beneficiaries, union(s) representing participants and beneficiaries (if applicable), contributing employers (multi-employer plans only) and filed with PBGC, if applicable. Deadline for small defined benefit plans (under 100 participants) to pay 2009 calendar plan year full PBGC premium; medium (101-499 participants) and large (500 or more participants) plans to pay 2009 calendar plan year reconciled premium (from original 10/15/09 payment), plus applicable interest charges. |
| 5/15/10 | Deadline for calendar plan year Defined Benefit Plans to notify PBGC if first required 2010 quarterly contribution not made. |
| 9/30/10 | Deadline for calendar plan year Defined Benefit Plans for 2010 Specific Actuarial Funding Target Attainment Percentage (AFTAP). |
| 10/15/10 | 2009 Annual Funding Notice must be distributed for small (100 or less participants) defined benefit plans with 2009 calendar plan year to plan participants, beneficiaries, union(s) representing participants and beneficiaries (if applicable), contributing employers (multi-employer plans only) and filed with PBGC, if applicable. Deadline for large defined benefit plans (100 or more participants) to pay 2010 calendar plan year full PBGC premium. |

CALCULATION OF 2009 KEOGH CONTRIBUTION

The calculation of contributions for self-employed individuals must reflect the deduction of ½ of the Social Security taxes on self-employment earnings (SEE). The procedure is complicated by the two-tiered Social Security tax (*i.e.*, 12.4% of the first \$106,800 of SEE, plus 2.9% of all SEE). The \$245,000 compensation limit further complicates the calculation, regardless of the Plan type – Profit Sharing (PS) or Money Purchase (MP).

The 2009 Keogh contribution may be determined as follows*:

- | | | |
|----|--|----------|
| 1. | Enter Net Schedule C profit – but not more than \$304,701.56 | \$ _____ |
| 2. | (a) If item #1 is greater than or equal to \$115,640.94 multiply item #1 by .98661 | \$ _____ |
| | (b) Subtract from item #2 (a) \$6,621.60 | \$ _____ |
| 3. | If item #1 is less than \$115,640.94 multiply item #1 by .92935 | \$ _____ |
| 4. | For defined contribution plan enter the contribution rate percentage as a decimal, but not to exceed .25 | \$ _____ |
| 5. | Multiply item #4 by item #2 (b) or item #3, whichever is applicable | \$ _____ |
| 6. | Add one (1) to item #4 | \$ _____ |
| 7. | Divide item #5 by item #6 equals the 2009 Keogh Contribution (maximum \$49,000) | \$ _____ |

* **NOTE:** If the plan provides for contributions or allocations that are not pro rata on compensation (*e.g.*, the plan provides for permitted disparity, or is age-weighted or otherwise cross-tested), or the self-employed individual also has regular W-2 wages subject to FICA taxes *from any employer*, then the above method **requires modification**.



Actuaries and Benefit Consultants

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