



# Benefits Observer

## President's Message

2009 has been somewhat an uneventful year as compared to 2008. The stock market has recovered to a certain degree but certainly still volatile. As we continue to search for significant signs of a true economic recovery, many people wonder if the worst recession since the great depression is behind us or not.

Although our retirement accounts statements may have looked better, relative to previous statements, most retirement accounts are still bruised compared to where they were two years. Since retirement planning is obviously very important to us, it is equally important to periodically evaluate whether or not we are on track to our achieving our retirement savings goal.

As always, I offer you the opportunity to contact Lawrence & Pearson Associates to discuss any of the topics in this newsletter and/or any of your retirement or other employee benefit plan needs. We look forward to hearing from you.

S. Scott Lusher

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## 2010 Safe Harbor Notice Reminder

December 1st is the deadline for plans to distribute the annual safe harbor notice for 2010. This includes the traditional safe harbor 401(k) notice and the qualified default investment alternative notice.

## EGTRRA Restatement Reminder

All qualified defined contribution plans must be amended and restated for the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) no later than April 30, 2010. Plan sponsors using Lawrence & Pearson's pre-approved plan documents should have now receive their EGTRRA restatement election form.

## 2010 Roth IRA Conversion

Starting in 2010, the income limits for converting a traditional IRA to a Roth IRA will no longer apply. Also, if you convert in 2010, you can choose to recognize the conversion income in 2010 or average it over the next two years (2011 and 2012) for tax purposes.



## 2010 Retirement Plan Limits

On October 15, 2009, the Internal Revenue Service announced cost of living adjustments applicable to dollar limitations for pension plans and other items for Tax Year 2010. As reflected in the chart below, the retirement plan limits will remain unchanged for 2010.

	2010	2009	2008	2007	2006
Annual Benefit Limit - DB Plans	\$195,000	\$195,000	\$185,000	\$180,000	\$175,000
Annual Addition Limit - DC Plans	\$49,000	\$49,000	\$46,000	\$45,000	\$44,000
401(k)/403(b)/457 Deferral Limit	\$16,500	\$16,500	\$15,500	\$15,500	\$15,000
401(k)/403(b)/457 Age 50 Catch-Up Limit	\$5,500	\$5,500	\$5,000	\$5,000	\$5,000
SIMPLE Employee Deferrals	\$11,500	\$11,500	\$10,500	\$10,500	\$10,000
SIMPLE Age 50 Catch-Up Limit	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
IRA Contribution Limit (Traditional & Roth)	\$5,000	\$5,000	\$5,000	\$4,000	\$4,000
IRA Age 50 Catch-Up Limit	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Annual Compensation Limit	\$245,000	\$245,000	\$230,000	\$225,000	\$220,000
Highly Compensated Employees	\$110,000	\$110,000	\$105,000	\$100,000	\$100,000
Key Employee	\$160,000	\$160,000	\$150,000	\$145,000	\$140,000
Social Security Taxable Wage Base	\$106,800	\$106,800	\$102,000	\$97,500	\$94,200
Social Security Cost of Living Increase	0.00%	5.8%	2.3%	3.3%	4.1%

## Important Updates and Retirement Related News

**Non-Spouse Beneficiary Rollover in 2010:** Starting in 2010, all eligible retirement plans are required to permit a designated non-spouse beneficiary to do a direct rollover of inherited plan assets to a properly titled inherited individual retirement account (IRA).

**DB(k) available in 2010:** On August 12, 2009, the IRS issued Notice 2009-70 to solicit comments on the defined benefit 401(k) plan under IRC Section 414(x). Commonly referred as DB(k), this hybrid plan will be held in a single trust, using one plan document, one summary plan description and one Form 5500. The IRS plans to issue guidance before DB(k) becomes available on January, 1 2010.

**NYS Lawmakers “Double-Dipping”:** On August 18, 2009, the New York Times published a story about a “double-dipping” practice that allows New York state lawmakers to simultaneously collect their government salary and pension for the same job. In 1995, the NYS legislature actually closed this costly “double-dipping” loophole but the law only applies to lawmakers elected after 1995.

**Rollovers from Employer Plans to Roth IRAs:** On September 8, 2009, IRS released Notice 2009-75. The notice provides additional clarifications surrounding the tax consequences of rolling over an eligible rollover distribution from an employer qualified retirement plan (such as 401(k)) directly to a Roth IRA. The notice also clarifies that on or after January 1, 2010, all distributees from an employer will be able roll over their distribution from an eligible employer plan to a Roth IRA regardless of their income or filing status.

**2009 Required Minimum Distribution Waiver:** On September 24, 2009, the IRS issued IRS Notice 2009-82 regarding relief on unwanted 2009 Required Minimum Distribution (RMD). This notice provides retroactive relief for IRA owners and employer plan participants by allowing them to rollover (put back) any 2009 RMD they may have received earlier this year. The deadline has been extended to November 30, 2009 or 60 days from the date the funds were received, whichever is later.

**Final Defined Benefit Plan Funding Regulations:** On October 7, 2009, the IRS issued much-anticipated final regulations on valuing assets and liabilities for the funding of single employer defined benefit pension plans and benefit restrictions for underfunded defined benefit plans. The final rules apply to plan years beginning on or after January 1, 2010. The final regulations are similar to previously issued proposed regulations in many areas, but also reflect some important changes. For example, plan sponsors may now be able to create larger funding balances when they make contributions in excess of the minimum required amount than was allowed under the proposed regulations.

**IRS Retirement Plan Navigator:** On October 13, 2009, the IRS announced that it created a new web-based Retirement Plan Navigator tool to help small business owners determine which tax-favored pension plan best suits their needs. The IRS Retirement Plan Navigator is intended to provide employers with an easy-to-use guide that focuses on three areas: choosing a plan, maintaining a plan and correcting a plan. The IRS Retirement Plan Navigator tool can be found at [www.retirementplans.irs.gov](http://www.retirementplans.irs.gov).

Contact Phil Glackin at (518) 374-5726 or [pjg@lawrence-pearson.com](mailto:pjg@lawrence-pearson.com) to request more information on topics in this newsletter.

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