

Employee Benefits NEWS



WINDES & MCCLAUGHRYP
ACCOUNTANCY CORPORATION

Employee Benefit Services

Winter 2009



FINANCIAL UNCERTAINTY IMPACTS RETIREMENT ACCOUNTS

In these times of financial turmoil and declining account balances, it can be easy to lose sight of the fundamental protections afforded retirement plans. We have included an article by Richard that reviews the security of the retirement plan system and safeguards for retirement accounts.

As we prepare the accounting for 2008 plan year ends, we are seeing the results of the decline in the financial markets. This is especially troubling for defined benefit plan sponsors, who must contend with the asset decline in combination with new funding standards imposed by the Pension Protection Act. Legislation bill granting some relief was passed and signed into law in December, and we will be communicating the funding options to our individual clients as we prepare the valuations for the 2009 calculations. Because most of the 2008 valuations were prepared based on asset value at the beginning of the plan year, the late 2008 decline in assets will be recognized when the 2009 valuation is prepared.

MINIMUM REQUIRED DISTRIBUTION RELIEF

Legislation was signed into law in late December that waives the minimum distribution requirements for 2009. Participants who turned 70.5 in 2008 and elected to defer their initial distribution to April 1, 2009 are still required to take that first distribution, but would not be required to withdraw their second distribution by the end of the year. Required distributions would resume in 2010, and we expect further guidance on this matter from the IRS later this year. Defined Benefit minimum distributions are still required. We have enclosed an article by Dorrie detailing the relief and other current developments.

NEW RULES FOR 403(b) PLANS

Regulations were issued last year regarding retirement plans sponsored by tax exempt entities, known as 403(b) plans or tax sheltered annuities. Until the issuance of the regulations, effective 1/1/09, these plans had operated without any official rules. We have enclosed an article by Therese detailing the new rules. The IRS granted relief to the written plan document requirement, which has been deferred to the end of this year. We can assist sponsors with meeting all of the document and administrative requirements of the new regulations.

EGTRRA DOCUMENT RESTATEMENTS

As we have detailed in prior communications, all defined contribution plans must be restated through the provisions of the **Economic Growth and Tax Relief Reconciliation Act of 2001** no later than April of 2010. We have begun the restatement process and will be contacting our plan sponsor clients over the next twelve months. As part of the communication process, we will be sending out formal engagement letters for our services, as required by proposed Department of Labor regulations.

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UPCOMING DEADLINES

Here are some important dates to be aware of in the coming months:

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|------------------|--|
| February 2, 2009 | Form 1099-Rs due to participants for 2008 distributions.
Form 945 due to the IRS to report withholding from distributions. |
| March 2, 2009 | Form 1096 due to the IRS. |
| March 16, 2009 | Unextended 2008 calendar year corporate tax returns due. Corrective distributions of 401(k) deferrals due to highly compensated employees. |
| April 1, 2009 | Required minimum distributions due for applicable participants who attained age 70.5 in 2008. |
| April 15, 2009 | Unextended 2008 calendar year partnership, LLC and individual tax returns due. 2008 excess 401(k) deferrals must be distributed. |

COST OF LIVING ADJUSTMENTS FOR 2009

The IRS as announced the following adjustments for retirement plan limitations for 2009:

- 401(k) deferrals from \$15,500 to \$16,500
- Catch-up contributions from \$5,000 to \$5,500
- Annual additions from \$46,000 to \$49,000
- Compensation limit from \$230,000 to \$245,000
- Highly compensated employee from \$105,000 to \$110,000



EBS News

We have a new department e-mail address for all correspondence: ebs@windes.com. . . We are pleased to announce the additions of Joel Leonor as a plan administrator and Stella Morrison as a document specialist to our department. . . For health reasons, Diane Jenkins has returned to a long-term leave of absence. We will be re-assigning her client responsibilities over the next few months to better serve her many plan sponsors and advisors.

New Distribution Procedures

In order to improve our operations relating to distribution and loan requests, we have revised our forms and procedures. We will provide each of our plan sponsors with new distribution and loan request forms that will be required to be completed before we can process any request for a distribution.

The goal of Windes & McClaughry Employee Benefit Services is to deliver the highest quality administrative and consulting services to our clients and their advisors. Each client has direct contact with their plan administrator, and receives personalized service from our experienced professionals. With over a century of combined experience in the employee benefits field, our professionals have the expertise and access to leading edge resources that uniquely qualify us to provide our clients with complete administrative services that ensure the successful operation of their employee benefit programs.

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