



News

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FOR IMMEDIATE RELEASE

New Data from Transamerica Retirement Services Highlights Importance of EGTRRA
Important Provisions from 2001 Federal Tax Law at Risk Unless Congress Acts Now to Make EGTRRA Permanent

LOS ANGELES (May 26, 2005) — Since signed into law in 2001, provisions of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) that helped make company-sponsored retirement plans more affordable for employers and more attractive to employees have proven quite popular, according to new data from Transamerica Retirement Services. However, despite the success of EGTRRA in expanding access to and participation in company-sponsored retirement plans, the majority of EGTRRA's provisions will sunset in 2010 if Congress doesn't take action to make them permanent. More immediately, one of EGTRRA's most important provisions, the Savers Credit, a credit for employee deferrals to retirement savings plans, is scheduled to sunset at the end of 2006.

"The ongoing debate over Social Security has put a spotlight on the state of retirement savings in the United States," said Catherine Collinson, senior vice president of strategic planning for Transamerica Retirement Services. "But even while discussing necessary reforms to the Social Security system, legislators must not forget the importance of company-sponsored retirement plans, which will provide the cornerstone for most Americans' retirement income. EGTRRA helped make these plans easier and more affordable for employers, but we run the risk of losing those incentives if Congress doesn't act."

EGTRRA provisions have proved popular with both employers and employees. In a review of more than 3,000 defined contribution retirement plans, Transamerica Retirement Services found that more than 90 percent of employers adopted EGTRRA provisions for accepting rollovers and permitting catch-up contribution, while 67 percent chose to increase their plan deferral rates, allowing employees to contribute more of their compensation into their company-sponsored plan.

In addition, three-fourths of employees with access to the rollover option took advantage of the opportunity to move existing savings to an IRA or new employer's plan without cashing out. Also, more than 54 percent of eligible employees took advantage of catch-up contributions — indicating that they were already contributing the maximum amount allowed under the plan.

EGTRRA Helps Make Retirement Plans More Attractive

Many of the changes established by EGTRRA were meant to make 401(k) savings more attractive to employees, thus increasing their participation. For example, deferral limits were raised and catch-up contributions were established to allow individuals approaching retirement to contribute additional money to their plan. EGTRRA also accelerated vesting schedules so that employees could benefit more quickly from employer matching contributions. The provisions made it easier for terminated participants to rollover their savings into either an IRA or a new employer's plan, an important change for an increasingly mobile workforce.

EGTRRA also established the Savers Credit, a credit for deferrals to retirement savings plans. The amount of the credit is equal to the applicable percentage times the amount of the qualified savings contribution (not to exceed \$2,000). The maximum credit rate is 50 percent, which is completely phased out at \$50,000 for joint return filers, \$37,500 for head of household filers and at \$25,000 for single and married filing separately filers.

EGTRRA also encouraged small business employers to sponsor retirement plans by providing tax incentives. Small businesses with no more than 100 employees may be eligible to receive a tax credit of 50 percent of the costs up to \$1,000 incurred to create or maintain a new retirement plan. The credit is limited to the first year the new plan is effective and in each of the following two years. EGTRRA also simplified some of the plan sponsor's annual compliance testing requirements making a retirement plan easier to administer.

Will the Sun Set On Important EGTRRA Provisions?

In President Bush's 2005 State of the Union address, he expressed support of EGTRRA, calling on legislators to make it permanent.. Legislators on both sides of the aisle have also expressed support for extending EGTRRA, and have recently introduced two for its' permanency.

"There's no question that Americans need to do more to save for retirement," said Collinson. "That's why it's so important for Congress to act now to ensure the viability of one of the most important pieces of the retirement savings structure – the company-sponsored retirement plan."

About Transamerica Retirement Services

Transamerica Retirement Services creates customized retirement plan solutions designed to fit the growing business needs of today's small to mid-sized businesses — the fastest-growing segment of the retirement plan market. Transamerica Retirement Services offers products underwritten by Transamerica Life Insurance and Annuity Company (Transamerica) and its affiliates. Transamerica is a member of the AEGON Group, a multinational insurance organization with over 27,000 employees. The AEGON Group is one of the world's leading pension, life insurance and financial services organizations with \$325 billion in assets and a net worth of \$24 billionⁱ

Transamerica Retirement Services is a top-ten retirement providerⁱⁱ to more than 15,000 customers throughout the U.S., serving more than 650,000 individual participants. It has \$10.6 billionⁱⁱⁱ in assets under management by Transamerica Investment Management, LLC and other well-known mutual fund companies. Transamerica Investment Management, LLC is one of the AEGON Group of companies.

ⁱ Source: AEGON NV annual report 2004. Obligations covered under the terms of any insurance policy are guaranteed only by the assets of the licensed insurance company that underwrites the coverage.

ⁱⁱ Transamerica Retirement Services ranks as one of the top-ten retirement services provider based on data published in CFO Magazine's April 2004 reports "CFO Buyer's Guide: 401(k) Providers." This ranking is derived from data on the total number of plans managed by investment companies reporting over \$8 billion in 401(k) assets.

ⁱⁱⁱ As of 12/31/04.