

# SPONSOR E-NEWS



## Welcome to the November 2007 edition of Sponsor E-News!

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We begin November's Sponsor E-News with an article on the available investment calculators on our website, [www.TA-Retirement.com](http://www.TA-Retirement.com). We hope you will share it with your participants.

We're also keeping you informed by providing the new Cost of Living Adjustments for 2008.

Continuing to focus on your participants and their success in planning for retirement, we are pleased to announce a new education seminar to help your participants plan for retirement now. We also are reminding you about the Saver's Credit and a flyer that you can distribute to your participants.

Also, our Fiduciary Focus articles continue their examination of prohibited transactions.

Lastly, we round out the month with a quick update on the new Department of Labor (DOL) Qualified Default Investment Alternative (QDIA) regulations that came out on October 24th.

**To help convey important information to you quickly, our newsletter messages are color-coded:**



**Action Required:** Noted in red, these messages require action, such as a signature, by the Trustee or Fiduciary of the plan



**Legislative / Compliance Update:** Noted in blue, these messages discuss legislative or compliance-related topics.



**For Your Information:** Noted in green, these messages provide you with general information covering subjects such as participant education, product and service features, and helpful tips for using the Web site.



## Investment Calculators - Your Participants' Answer to Retirement Planning



Transamerica's award-winning website provides many opportunities for participants to learn how simple it is to plan for retirement. With a few clicks of a button and using various contribution scenarios and assumptions, participants may determine their target retirement goal and different strategies to meet that goal.

Participants may access the investment calculators by going to our Web site at [www.TA-Retirement.com](http://www.TA-Retirement.com), selecting **Employees** from the blue menu bar at the top of the screen, then selecting **Resources** from the left-hand menu. An employee may use these calculators before they become eligible for the plan, allowing them to make decisions before they enroll.

Below is a summary of the investment calculators — feel free to pass this information along to your employees.

**Point, Click & Save** — This tool is designed to help you establish your retirement income goals and to help you plan how to get there. It will help you to make calculations that include other sources of income, including your spouse's income, if applicable, and other sources of retirement savings—so that you can get a complete picture of your retirement savings goal.

**Loose Change** — "Loose Change" is a fun, easy-to-use calculator that illustrates how much the few dollars you spend here and there on coffee, magazines, etc., can add up, by the time you retire. The tool will show you that by investing your "loose change" instead of spending it, that investment possibly may add up to thousands of dollars by the time you retire. That little extra can make a big difference!

**It's Payday!** — Participating in a 401(k) plan allows you to enjoy the benefits of tax-deferred savings. What does this mean in dollars and cents? With our "It's Payday!" tool, you can compare how much money you will earn on investments made outside of your retirement savings to money invested in a 401(k) plan.

**Saving Up** — If you currently do not have any other source of income and want to see if you're putting away enough money for retirement, the "Saving Up" tool can help. "Saving Up" will provide you with a snapshot of what your finances will look like at retirement, and it will let you know if you are on track to meeting your retirement needs.

**The Compounding Game** — Building a nest egg? Want to see what it will look like by the time you retire? Using an average interest rate of 8% compounded annually, see what your egg will hatch!

**Traditional or Roth 401(k)** — This calculator will help you to compare after-tax Roth 401(k) plan contributions to those made to a traditional before-tax 401(k) plan

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## **LEGISLATIVE / COMPLIANCE UPDATE**

### **Cost of Living Adjustments for 2008**

On October 18th, the IRS released the Cost of Living Adjustments for 2008. As a result, there are some increases in statutory limits for retirement plans, while other limits remain unchanged.

The limits to 401(k) plans for pre-tax deferrals, after-tax Roth contributions, and catch-up contributions remain the same as 2007. This information is crucial for participants interested in maximizing their contributions to a 401(k) plan.

Other limits, including the Internal Revenue Code section 415 limits (also referenced as the "annual additions" limit) and the compensation limit have increased for 2008. This information may be helpful for employers in instances such as planning for profit-sharing contributions.

For your convenience, the attached [table](#) lists some of the retirement plan limitations for 2008, as well as a Cost of Living Adjustment history from 2004 - 2007.



## **FOR YOUR INFORMATION**

### **New Education Presentation Helps Employees Plan for Retirement Now!**

As part of our mission to help employees master retirement, we are pleased to announce the launch of our new *Preretirement Planning Made Simple* presentation.

[Preretirement Planning Made Simple](#) — engages employees in a conversation about key retirement planning issues like:

- Preparing a retirement budget
- What to expect from Social Security
- The major risks to retirement income and ways to mitigate these risks

View all of our [Made Simple Educational Seminars](#).

Please give us a call if we can help you further your participants' education and retirement success.

## Fiduciary Focus: Prohibited Transaction Discussion Continues

This month's *Fiduciary Focus* continues our deeper examination of prohibited transactions by looking at the prohibition against the lending of money or the extension of credit between a plan and a party in interest. Generally speaking, ERISA Section 406(a)(1)(B) prohibits loans, or the extension of credit, between 401(k) plans and their parties in interest unless there is a statutory exemption. The prohibition against loans and the extension of credit applies where the plan is the "giver" in the transaction as well as where the plan is the "receiver" in the transaction.



As an individual who works with your company's 401(k) plan on a daily basis, you may wonder how this prohibition applies to your plan—and even more importantly—how a 401(k) plan can offer loans to participants, who are parties in interest to the plan by definition, without violating this prohibited transaction. Quite simply, unless a defined exemption exists, a 401(k) plan generally cannot make any direct or indirect loans or extend credit to a party in interest to the plan.

Following are a few examples of types of activities covered by this prohibited transaction category:

- Employers cannot fulfill their plan contribution obligations with the use of a debt obligation. This would be considered an indirect loan, or extension of credit, from the plan to the employer.
- A plan cannot acquire, as a plan investment, a debt instrument under which a party in interest is legally bound.
- Plan assets cannot be invested in any type of loan made by a third party to a party in interest to the plan.
- A plan cannot make a loan to the sponsor of the plan.
- A plan sponsor cannot make a loan to the plan.
- A plan cannot make a loan to, or receive a loan from, a company owned by a party in interest to the plan.

If a 401(k) plan cannot make a loan to a party in interest, how is it that 401(k) plans are allowed to make loans to plan participants? The answer is because there is an exemption to the prohibition that enables 401(k) plans to make participant loans as long as certain conditions are met. ERISA Section 408(b)(1) allows a 401(k) plan to make loans to plan participants as long as:

- All participants have access to a plan loan on a reasonably equal basis;
- Highly compensated employees are not allowed to take out loans for an amount greater than is allowed for non-highly compensated employees;
- The loans are made in accordance with specific provisions set forth in the plan document;
- The loans bear a reasonable rate of interest; and
- The loans are secured.

Several other exemptions to the prohibition against loans and extensions of credit exist but they are less common than the participant loan exemption. For more information about exemptions to prohibited transactions under ERISA Section 406(a), please refer to ERISA Sections 408(b), (c), (d), (e) and (f). In addition to these explicit statutory exemptions, ERISA Section 408(a) authorizes the Secretary of Labor to additionally issue administrative exceptions to prohibited transactions.

As a person who is involved in the administration of your company's 401(k) plan, it is important that you understand the prohibition against loans, especially participant loans, which are one of the most common features in 401(k) plans. If your plan fails to comply with the rules that apply to plan loans, a prohibited transaction may occur and cause harm to the plan participants and beneficiaries.

Next month, *Fiduciary Focus* will examine prohibited transactions resulting from the furnishing of goods, services, and facilities.

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### Saver's Credit Reminder



Now is the time to remind your employees to take advantage of the Saver's Credit, also known as the Retirement Savings Contributions Credit. The Saver's Credit was made available in 2002 on a provisional basis under the Economic Growth and Tax Reconciliation Act of 2001 and was made permanent under the Pension Protection Act of 2006.

The Saver's Credit may allow your employees to take a credit of up to \$1,000 (up to \$2,000, if filing jointly) if they make eligible contributions to a qualified retirement plan, such as a 401(k) plan or traditional IRA. The amount of the credit is determined by the participant's filing status, adjusted gross income, and other retirement contributions. This tax credit is only useful to tax filers who owe federal income tax, since no refund of excess credit is allowed.

By simply contributing to their 401(k) plan and taking advantage of the Saver's Credit, participants may find that they owe less money to the federal government.

To qualify for the Saver's Credit, participants must meet certain requirements for 2007. The credit can be claimed if:

- The employee is age 18 or older
- The employee is not a full-time student
- The employee is not an exemption on someone else's tax return
- The employee's adjusted gross income is at or below
  - \$26,000 for a single filer (\$26,500 for 2008)
  - \$39,000 for head of a household (\$39,750 for 2008)
  - \$52,000 if married filing jointly (\$53,000 for 2008)
- AND the employee made eligible contributions to a qualified retirement plan, such as a 401(k) plan or traditional IRA.

Your employees probably already know that the money they contribute to a 401(k) plan can help reduce their federal income tax because it is tax-deferred. But now with the Saver's Credit, their tax savings can really add up!

To help your employees learn more, view or download [Saver's Credit](#) flyer.

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## **LEGISLATIVE / COMPLIANCE UPDATE**

### **Regulations Regarding Qualified Default Investment Alternatives**

On October 24th, 2007, the U.S. Department of Labor issued final regulations relating to Qualified Default Investment Alternatives. These regulations will become effective on December 24, 2007.

The Department of Labor regulations provide fiduciary relief to plan sponsors of participant-directed plans which default participant contributions into a Qualified Default Investment Alternative when the participants fail to make any investment election. For more information about the Department of Labor's final regulations and the relief from liability that can apply to plan fiduciaries, please view these Qualified Default Investment Alternative highlights.



Within the next two weeks, you can expect to receive a more detailed communication from us describing the steps you can take if you choose to implement a Qualified Default Investment Alternative for your plan, and how we can support you in this process. Transamerica will provide you with the tools to make any changes to your plan as you deem appropriate.

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We would also like to hear your suggestions and ideas for future topics for E-News. Please let us know how we can be of service to you by replying to this e-mail, or by calling (866) 498-4557. We look forward to hearing from you.

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<sup>1</sup> Cash flows are paid to the AAA/senior tranches before the lower subordinate tranches and they often have various levels of credit enhancement, such as third-party insurance and over-collateralization, which helps protect cash flows to investors.

<sup>2</sup> Transamerica Retirement Services ("Transamerica"), a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), 4 Manhattanville Road, Purchase, New York 10577, and Transamerica Life Insurance Company ("TLIC"), 4333 Edgewood Road NE, Cedar Rapids, Iowa 52499, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. Investment choices are available from Transamerica Retirement Services under contract form number TA-AP-2001-CONT, a group variable annuity contract underwritten by TFLIC, or under contract form numbers TGP-439-194, TGP-416-192/194, TGP-430-192/194, CNT-TALIC 05-02 or CNT-TLIC 10-05, group variable annuity contracts underwritten by TLIC. TFLIC is not authorized and does not do business in the following jurisdictions: Guam, Puerto Rico, and the U.S. Virgin Islands. TLIC is not authorized in New York and does not do business in New York. Contract form and number may vary, and these investment choices may not be available in all jurisdictions. Fees and charges may apply. For complete information, contact your Transamerica representative.

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