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Welcome to the October 2011 Edition of Sponsor E-News

"The 'Perfect' 401(k) Plan" describes six key attributes of the "perfect" plan as well as action steps you can take to help your plan attain them.

Take advantage of the experiences and expertise of other plan sponsors through Sponsor Exchange, an open forum where you can share your success stories and learn from your peers.

American Century offers its view of global economic growth in the fourth quarter from the perspectives of the U.S., Europe and developing nations. Also, the experts at American Funds put the current market decline into perspective and ask investors to consider whether stocks can provide an effective hedge against inflation over the long term.

The Internal Revenue Service has released the 2012 retirement savings plan limits. A table has been included for your reference.

Finally, we review the options available to plan sponsors in dealing with forfeiture accounts.



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Sponsor Connect
(866) 498-4557

INFORMATION

Six Key Ingredients to a "Perfect" 401(k) Plan

The "Perfect" 401(k) Plan, a new white paper from The Transamerica Center for Retirement Studies® ("The Center"), offers simple and effective ways to improve your retirement plan. Prepared by Catherine Collinson, President of the non-profit Center, the paper describes six key attributes of the "perfect" plan, and action steps that sponsors can take to help their plans attain them.



The "perfect" 401(k) plan includes the following characteristics:

1. Maximizes employee participation and contribution rates
2. Provides and promotes incentives to save (e.g., employer match, tax incentives)
3. Educates and empowers employees to make informed decisions about retirement saving, planning and investing
4. Underscores the need for workers to have a retirement strategy
5. Maximizes participant satisfaction and plan effectiveness (including investments, education, customer service)
6. Serves as a highly effective tool for employers to attract and retain employees

The paper features results from the 12th Annual Transamerica Retirement Survey that compare and contrast how employers and workers currently perceive their plans-and identifies where they may not see eye-to-eye.

It also includes possible approaches that you can immediately put into action to help improve your 401(k) plan and the overall satisfaction of your participants as they travel the path toward retirement readiness.

To learn more, download your free copy of the white paper [here](#), or visit The Center website at www.transamericacenter.org.

The Transamerica Center for Retirement Studies® ("The Center") is a non-profit, private foundation. The Center is funded by contributions from Transamerica Life Insurance Company and its affiliates and may receive funds from unaffiliated third-parties. For more information about The Center and the full results of the 12th Annual Transamerica Retirement Survey, please refer to www.transamericacenter.org.

INFORMATION

Share Your 401(k) Success Story

Sponsor Exchange provides an open forum in which plan sponsors can share their success stories and benefit from the experiences and accomplishments of other plan sponsors.

Through Sponsor Exchange, you can discover new techniques — directly from your peers — for creating and sustaining thriving retirement plan programs. For example, learn how [NGP Management, LLC/Dunkin' Donuts increased its plan participation by 143%](#) through the hands-on approach of a "train the trainers" program involving their store managers. Sponsor Exchange also offers plan sponsors a medium through which they can share innovative solutions to everyday retirement plan management issues.

We encourage our sponsors to take advantage of this invaluable resource. If you have a Transamerica Retirement Services success story or information you would like to share with other plan sponsors, please contact SponsorConnectSM at (866) 457-4998, or email at sponsorconnect@transamerica.com.



INFORMATION

Monthly Market Insight

This month, the experts at American Century Investments offer [their view of the prospects for the global economy in the fourth quarter](#). Predicting a real annual growth rate of about 2%, they focus their outlook on the U.S., Europe, and burgeoning developing nations.

A stimulus package that has included almost \$1 billion, near zero short-term interest rates and two rounds of quantitative easing by the Federal Reserve has not been enough to rid the U.S. economy of high unemployment, weak housing markets and low economic growth. Although corporate profits have shown remarkable growth over the last three years, American Century questions how long this can continue without improvement in the global economy.

American Century reports that in Europe, some of the member countries are experiencing debt problems that highlight fundamental issues with their governments' abilities to limit budget deficits and total debt. As a result, markets are losing confidence that "these debts could be paid without some bailout by the stronger nations."

American Century believes the challenge for developing nations such as China and Brazil, which are experiencing substantial economic growth, is controlling the growth to levels that are sustainable for the long term and won't lead to inflation, among other problems.



Despite these concerns, American Century expects the global economy to resume a strong growth trend, on the condition that each country and region resolves to deal with its fiscal issues. They advise that "investors can best position themselves for whatever happens through a broadly diversified portfolio of investments by asset class, size/style, and geography."

The [experts at American Funds](#) remind us that market declines are inevitable, and follow a somewhat predictable pattern. In fact, the timing of our current downturn is consistent with historical averages. Rather than fleeing to cash in order avoid market declines, the experts at American Funds suggest that investors should consider whether stocks can provide an effective hedge against inflation over the long term.

We hope these articles provide you with useful insights that can be shared with your employees as part of your educational efforts.

Transamerica Retirement Services does not provide investment advice. American Century Investments and American Funds provide investment management services for some of the investment choices offered in Transamerica's retirement plans. American Century and American Funds are not affiliated with Transamerica.

LEGISLATIVE/COMPLIANCE

New Retirement Savings Plan Limits for 2012

On October 20th, the Internal Revenue Service released the Cost of Living Adjustments (COLA) and other savings plan limits that will go into effect for 2012. These adjustments can affect retirement plan contribution rates for both participants and employers.



The table below summarizes the retirement plan adjustments. Many of the limits are unchanged due to rounding rules, however, this year (for the first time since 2009) a few of the key savings plans limits have increased.

Key Changes*	2011	2012
Maximum 401(k), 403(b), 457 Contribution	\$ 16,500	\$ 17,000
Maximum Compensation Taken Into Account	\$ 245,000	\$ 250,000
Maximum Defined Contribution Dollar Limit	\$ 49,000	\$ 50,000
Maximum Defined Benefit Dollar Limit	\$ 195,000	\$ 200,000
Highly Compensated Employee Threshold	\$ 110,000	\$ 115,000
Maximum AGI for Deductible IRA Eligibility (Single Return)	\$ 66,000	\$ 68,000
Maximum AGI for Deductible IRA Eligibility (Joint Return)	\$ 110,000	\$ 112,000
*IRA and Catch-Up Contribution Maximums Unchanged		

In detail, the limits to 401(k) plans for pre-tax deferrals, and compensation are adjusted for moderate increases in inflation. For your convenience, we have [attached a table](#), which lists some of the retirement plan limitations for 2012, as well as COLA history from 2009 – 2012. We hope you will share this information with your company and your plan's participants so they can maximize their contributions to their retirement plans.

Forfeitures-Know Your Options

Your plan may require participants to complete a period of service before becoming fully vested in matching or non-elective employer contributions. If a participant's employment is terminated prior to becoming fully vested, Treasury regulations allow a plan to forfeit a participant's non-vested account balances subject to certain rules (Treasury Regulation 1.1411(a)). Special rules apply to forfeited benefit amounts.



Forfeitures are considered assets of the plan and your plan document states the appropriate ways in which forfeitures can be used by the plan. Generally, forfeitures may be used (1) to pay administrative expenses of the plan; (2) as an additional employer contribution and allocated among the remaining participants of the plan; or, (3) applied to reduce future employer contributions.

Determining the appropriate manner in which to use forfeitures is a fiduciary decision which should be based on factors such as the plan design, the demographics of the plan participants, and the best interests of the plan participants and beneficiaries. The plan document indicates the forfeiture options available and often dictates the preferred order.

It is very important for plan sponsors to monitor and use their forfeitures promptly. In plans where forfeitures are not primarily used as an additional employer contribution allocated to the remaining participants of the plan, some employers neglect to provide their service provider with usage instructions which can leave plan forfeitures in the plan and unused, sometimes for many years. This non-use of forfeitures is considered to be a "mistake" by the IRS. In a recent IRS newsletter article the IRS stated that all plan forfeitures should be used in the year in which they occur; not using them in the year they occur is considered a mistake that should be corrected within two years using the IRS' Employee Plans Compliance Resolution System (EPCRS). Further, unless the non-use of forfeitures could be considered insignificant, if the mistake isn't corrected within two years it must be corrected under the IRS' Voluntary Correction Program (VCP)

For further information on forfeitures, you can contact SponsorConnectSM at (866) 498-4557 to be put in contact with your Compliance Analyst.

COMPLIANCE CALENDAR

10/1 – 12/1 — **Safe Harbor Annual Participant Notice** — If your calendar-year, defined contribution plan document includes a safe harbor plan design for the 2012 plan year, this is the timeframe for providing the required 2011 annual safe harbor notice.

10/1 – 12/1 — **Qualified Default Investment Alternative (QDIA) Participant Notice** — If your calendar- year, defined contribution plan intends to comply with the DOL rules for default investments, this is the timeframe for providing the required 2011 annual QDIA notice.

10/1 – 12/1 — **Automatic Enrollment Participant Notices** — If your calendar-year, defined contribution plan document includes an Automatic Contribution Arrangement (ACA), Eligible Automatic Contribution Arrangement (EACA) or Qualified Automatic Contribution Arrangement (QACA) for the 2012 plan year, this is the timeframe for providing the required annual notice to participants.

11/1 – 12/31 — **Required Minimum Distribution (RMD) Processing** — Transamerica will send you detailed information in November regarding participants in your plan who will be age 70 1/2 by the end of 2011. Transamerica will also provide you instructions on how to determine which of these age 70 1/2 participants must receive a RMD by December 31, 2011.



FEEDBACK

We always welcome your feedback and suggestions. Please send your comments to sponsorconnect@transamerica.com.

