

SPONSOR E-News



Welcome to the May 2007 edition of Sponsor E-News!

In this Issue:

- Fiduciary Focus
- What's Happening in June and July
- When is a Form 5500 Independent Audit Necessary?
- Participant Focus
- Four Great Reasons to use the Payroll Validator



Sponsor E-News is pleased to begin a series of articles entitled *Fiduciary Focus*. This month we'll help define who is a fiduciary for your plan.

This month's edition provides information to help you through Form 5500 and audit season. We'll help you determine when an independent audit is necessary, in addition to providing helpful tips on filing your annual Form 5500.

Under our Participant Focus section, you will learn how participants are able to make changes to their account via TransDirect, our participant phone system.

Finally, you'll find instructions for using the Payroll Validator, our online contribution remittance feature, to help you take advantage of this online tool.

If you would like to check out previous editions of Sponsor E-News, please logon to our website at www.TA-Retirement.com, select "Resources", and then select "Newsletters."

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.

Fiduciary Focus

Some of the most frequent questions we receive from our clients relate to “fiduciary status” regarding the administration of a qualified retirement plan.

The roles and responsibilities of the plan fiduciary are critical to any qualified plan. The information provided here can help you to identify your retirement plan’s fiduciaries, and will help your plan’s fiduciaries better understand their responsibilities. Over the next several months, *Fiduciary Focus* will cover topics such as:

- Who is a plan fiduciary
- What are the plan fiduciaries’ primary responsibilities
- What are prohibited transactions
- What is the fiduciaries’ role with respect to plan assets

Transamerica provides you tools and education to help you effectively manage your retirement plan, so that your plan’s participants are provided with a retirement savings program that best meets their needs. We hope that you find *Fiduciary Focus* to be a useful resource that demonstrates our commitment to you providing the best service possible.

Who is a plan fiduciary?

The Employee Retirement Act of 1974 (ERISA) generally governs plan fiduciaries in employee benefit plans, including your company’s retirement plan with Transamerica.

One of the most important concepts to remember with respect to plan fiduciaries is that ERISA provides a functional definition of plan fiduciary. This means that plan fiduciaries are not defined based on a formal title such as “Trustee”. Instead, ERISA defines a plan fiduciary in functional terms based on the individual’s authority and control over the plan itself. Under ERISA, anyone is subject to becoming a plan fiduciary (regardless of the person’s formal title), provided that the person has, or exercise, discretionary authority over the management or administration of an employee benefit plan.

ERISA considers an individual a plan fiduciary if that individual performs any of the following with respect to an employee benefit plan:

- Exercises any discretionary authority or control over the management of the plan, or the management or disposition of plan assets
- Renders investment advice regarding the disposition of plan assets for a fee or other compensation (direct or indirect), or has any responsibility or authority to render investment advice
- Has any discretionary authority or discretionary responsibility in the administration of an employee benefit plan

Next month, *Fiduciary Focus* will provide more information about how a person’s functional duties can determine whether that person is considered a “plan fiduciary.”

What's happening in June and July?

For calendar-year plans, your plan's annual IRS filing is fast approaching!

Plan sponsors of qualified retirement plans must file certain information about their plans every year. Plans are required to file the Form 5500 Series Annual Return/Report for Employee Benefit Plans, along with applicable schedules. The plan's Form 5500 filing consolidates information required by the Internal Revenue Service and Department of Labor into one return.

For 2006 calendar-year plans (plans whose 2006 plan year ended December 31, 2006), the Form 5500, plus schedules and any attachments, must be filed on or before July 31, 2007.

All year-end testing must be completed (including any corrections made for failed tests), and all employer contributions must be deposited before your Form 5500 and most attachments can be completed. If your plan requires an independent audit, you will need to coordinate the audit with your independent accountant. How do you know if your plan requires an independent audit? Just read the next article for additional information.



Good news: You might already have an extension on the filing due date of the Form 5500! If the employer sponsoring the retirement plan filed for a tax extension for its 2006 corporate tax return, the due date for the Form 5500 is automatically extended to the employer's tax filing due date.

For example: For calendar-year plans, the employer's tax filing was due March 15, 2007. If the employer filed an extension until September 15, 2007, then the Form 5500 also has an extended filing deadline of September 15, 2007.

Better news: Even if you didn't file for a tax extension, you can still extend the filing date of the Form 5500 if necessary. For any 2006 calendar-year plan, plan sponsors may file an extension for the Form 5500 on or before July 31, 2007, which will extend the filing date for the Form 5500 to October 15, 2007 (regardless of whether the employer filed for an extension on its tax return).

If you need more time (for example, because you need to have an audit of the plan), please let us know. We can help ensure that your tax extension for the Form 5500 is filed on time.

When is a Form 5500 independent audit necessary?

Generally, the sponsor of a qualified plan must hire an independent qualified public accountant to audit the Form 5500 and financial statements of the plan. The auditor's report must be attached to the annual Form 5500.

The following are some exceptions to the Form 5500 audit requirement:

- **Small Pension Plan Audit Waiver:** Generally, if your plan covered fewer than 100 participants as of the beginning of the plan year for the year in question, then the plan may qualify for the Small Pension Plan Audit Waiver. In this case, a Schedule I --indicating that the plan is a small plan filer -- would be included with your Form 5500, in lieu of an auditor's report.
- **80/120 Participant Rule:** If a plan meets the conditions of the "80 to 120 Participant Rule," it may qualify to file as a small plan filer and attach Schedule I to the Form 5500. Under the 80 to 120 Participant Rule, if the number of participants covered under the plan (as of the beginning of the plan year in question) is between 80 and 120, and a small plan filer Form 5500 was filed for the prior year, the plan administrator may elect to continue to file as a small plan for the plan year in question.

Participants are defined as eligible participating and non-participating employees at the beginning of the plan year. Retirees, beneficiaries, suspended participants and terminated employees with a vested balance in the plan at the beginning of the plan year are also treated as participants.

If a Form 5500 audit is required for your plan, you will need to engage an independent qualified public accountant of your choice to prepare audited financial statements. Transamerica can provide you with a comprehensive audit package that will assist your auditor through the process, along with a signature-ready Form 5500. You will need to attach the auditor's report and applicable schedules and file with the EBSA (Employee Benefits Security Administration, a division of the U.S. Department of Labor) by the required deadlines.

If you need further information about when an audit is required and what to expect in the audit process, please contact SponsorConnect and we'll be happy to assist you.

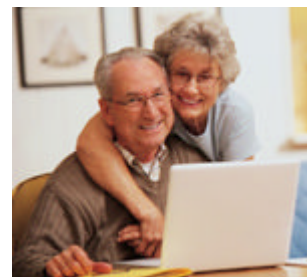


Participant Focus

Each quarter, Sponsor E-News provides information that you can share with your participants. Last quarter, we focused on introducing our Participant Contact Center and providing a simple brochure for your participants' use.

This quarter, we are focusing on providing help to your participants with TransDirect – our exclusive Participant Voice Response Unit.

The [attached brochure](#) is designed to be shared with your participants to encourage them to use our 24/7 phone system. Our TransDirect system is available 24-hours a day, 7 days a week for your participants to obtain account balance information, change investment direction or hear investment performance.



We hope you and your participants will find this brochure to be helpful.



Four Great Reasons to Use the Payroll Validator

As a plan sponsor, you know how important it is to submit participants' contributions on a timely basis. The Department of Labor requires that employee elective deferrals must be made to the plan as soon as administratively feasible, but no later than the 15th business day of the month following the month in which they have been withheld from the employee's paycheck.

Our online Payroll Validator provides you ...

1. Validation of your file against the recordkeeping system and immediate notification of errors, including:
 - Participants who are missing investment elections
 - Invalid social security numbers
 - Loan repayments submitted for a participant without an outstanding loan
 - Loan repayments exceeding outstanding loan balance
2. The ability to use forfeiture balance towards the contribution submitted
3. Onscreen verifications including:
 - Confirmation number verifying the upload of your payroll file
 - If ACH is your selected funding method, you will be notified of the date in which your account will be debited for the contribution amount submitted.
 - If check or wire is your selected funding method, your payroll file will be processed once the funding is received.
4. Email confirmation that your file has been received will include:
 - Receipt date
 - Confirmation number verifying the upload of your payroll file
 - Current pay period contribution totals by money source
 - Current pay period contribution grand total



Submitting a file via the Payroll Validator is a simple process:

- Login to www.TA-Retirement.com using your Plan Sponsor User ID and password
- Select "Plan Administration"
- Select "Payroll Contributions"
- Hyperlinks can guide you to our approved Excel template
- Enter required information on the screen, including the full path name of your payroll file
- After you have verified that the information entered is correct, click the upload button

At your request, we will send Sponsor E-News to anyone at your organization who you believe would benefit. Just e-mail SponsorConnect at sponsorconnect@transamerica.com, and we will

add them to our mailing list.

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.

¹Transamerica Retirement Services, a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), Purchase, New York, and Transamerica Life Insurance Company ("TLIC"), Cedar Rapids, Iowa, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. TLIC is not authorized in New York and does not do business in New York.

