MBL Advisors

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Qualified Plan Newsletter

Fourth Quarter 2014

Handling Requests for Plan Documents

When a plan participant asks for copies of plan documents, what should be done? Since plans are required by law to provide certain requested plan documents in a timely manner, it's important to have procedures in place for responding to document requests.

Required Documents

A retirement plan participant is entitled to receive certain plan documents at stated times and intervals without charge and without having requested them. These include the plan's summary plan description (SPD), summary of material modifications (SMM), and summary annual report (SAR).

Requested Documents

A plan participant or beneficiary also can request copies of various plan documents. The U.S. Department of Labor specifies that participants must be provided any document on request that "specifies procedures, formulas, methodologies, or schedules to be applied in determining or calculating a participant's or beneficiary's benefit." These include the latest SPD, the latest SAR, trust agreements, contracts, any bargaining agreements, and "other instruments" under which the plan is established or operated.

Reasonable Fees

A plan administrator can charge a reasonable fee to cover the costs of providing requested information. Note that plans cannot charge a fee for providing plan information they are required to distribute. A fee is considered reasonable if it is equal to the actual cost per page to the plan for the least expensive means of acceptable reproduction and not more than 25¢ per page.

Failure to Provide Requested Documents

Penalties for failing or refusing to provide requested plan information within 30 days can be steep. Under pension law, the penalty may be as high as $110 per day.

December 2014 Capital Markets Review

	Period Ending December 31, 2014			
Index	Qtr	1 Year	5 Year	10 Year
S&P 500 (Composite Price Index)	4.39%	11.39%	13.05%	5.44%
Russell 2000	9.73%	4.90%	15.55%	7.77%
MSCI EAFE (Price)	-3.86%	-7.35%	2.34%	1.59%
Barclays Aggregate Price Index	0.78%	0.96%	0.64%	0.36%

Footnote

2014 marked the third year in a row where the S&P 500 and NASDAQ experienced gains; however, these advances were more tenuous than in previous years. U.S. GDP growth, continued quantitative easing and steady job growth helped fuel gains. On the other hand, domestic and international issues led to greater stock market volatility, including the first 10% correction in three years. Worries over the Ebola crisis, turmoil in Ukraine, ISIS, plummeting oil prices, and interest rate uncertainty led to market jitters at various points throughout the year.

Despite moments of investor anxiety, 2014 proved to be a solid year for the equity and fixed income markets. The S&P 500 finished the year up 11.39%, and the NASDAQ finished up 13.40%. In addition to the strong returns in equity markets, the bond market posted a healthier performance than most analysts had estimated. With the Federal Reserve vowing to keep interest rates low, the benchmark 10-year Treasury finished the year with a yield of 2.17%, a drop from 3.03% at the end of 2013, but still better than expected. The fixed income markets could garner more attention in 2015 as the Federal Reserve evaluates whether to start raising short-term interest rates.

Sector performance varied widely in 2014, the best being utilities and healthcare with returns of 26% and 25% respectively. The telecom and energy sectors posted the worst performance, returning losses of 1% and 10% respectively.

The above table highlights the average annual returns for various indices.

The S&P 500 is a commonly used measure of common stock performance, the Russell 2000 is a commonly used measure of small capitalization stocks, the MSCI EAFE is a commonly used measure of common stock total return performance of international markets, and the Barclay's Aggregate Bond Index is a commonly used measure of the bond market.

All referenced indices are unmanaged and not available for direct investment.

Past performance is not a guarantee of future results.

2015 Plan Contribution Limitations

IRS has announced cost-of-living adjustments affecting retirement plan dollar limitations for tax year 2015.

- 401(k), SARSEP, 403(b), and 457 plan deferrals increase to $18,000 (catch-up contributions increase to $6,000)
- IRA maximum annual contribution remains $5,500 (additional catch-up remains $1,000)
- Annual addition limit for Defined Contribution Plans (maximum annual combined employee and employer deferral) increased from $52,000 to $53,000
- Annual benefit limit for Defined Benefit Plans (maximum) remains unchanged and is equal to the lesser of $210,000 or 100% of the participant's average compensation for the highest three years, adjusted for inflation
- Limit on annual compensation (maximum) used to determine qualified plan benefits or contributions increased from $260,000 to $265,000
- Highly compensated employee dollar limitation increases from $115,000 to $120,000
- Key employees in top-heavy plans—compensation limit taken into account in determining who is a key employee under top-heavy plans remains unchanged at $170,000
- Social Security taxable wage base up from $117,000 to $118,500
- SIMPLE deferrals increase to $12,500 (catch-up contributions increase to $3,000)
- SEP minimum compensation limit for an allocation increased from $550 to $600
- QLAC maximum remains unchanged at $125,000

Traditional IRA Changes

There are changes to the adjusted gross income (AGI) "phaseout" limits for determining what portion of contributions to a traditional IRA are deductible. For taxpayers who are active participants filing a joint return (or qualified widow(er)s), the deduction is phased out with a combined AGI of $98,000 to $118,000 (up from $96,000 to $116,000). For taxpayers other than "married filing separate returns," the deduction phaseout range is $61,000 to $71,000 AGI (up from $60,000 to $70,000). For a taxpayer who is not an active participant but whose spouse is an active participant, the deduction phaseout range is a combined AGI of $183,000 to $193,000 (up from $181,000 to $191,000).

Roth IRA Changes

There is an AGI-based limitation for determining the maximum Roth IRA contribution. For married taxpayers filing a joint return (or qualified widow(er)s), the contribution phaseout range is from $183,000 to $193,000 (up from $181,000 to $191,000). The AGI phaseout range for single taxpayers is $116,000 to $131,000 (up from $114,000 to $129,000).

What to Look For in Your 401(k) Service Provider

401(k) salary deferral plans are the most popular retirement plans today. Nearly every financial service company—banks, insurance companies, stockbrokers—offer 401(k) plan services.

You know that a 401(k) plan allows employees to "defer" part of their pay. The deferred pay is taken out of an employee's check each payday and is placed in the employer's tax-qualified plan. No taxes are due on the deferred pay—or on the plan's earnings—until the employee withdraws the funds from the plan.

If your organization is considering a 401(k) plan—or it has a plan and you are reviewing its performance—there are several things to consider.

First, does the plan you're looking at offer flexibility in plan design? Most service providers offer an IRS-approved prototype plan, which can save big money over an individually designed plan. But a prototype plan can be inflexible. Make sure any prototype plan you adopt is flexible enough to meet your organization's overall needs.

Second , does the plan offer a broad range of investment options? Nearly all 401(k) plans allow employees to choose their own investments—usually, from several specified alternatives. The service provider you're considering likely offers its own investment options. But what if these investment choices regularly under perform similar investments? You might want to consider hiring a service provider that allows you to use outside investments for at least some of the plan's assets.

Third, look carefully at the administrative capabilities of the service provider. Some providers may offer terrific investment returns or broad investment flexibility, but lack administrative ability.

Research the provider's reputation for plan administration. Make sure they handle any customer problems quickly and accurately.

Finally, find out whether the service provider helps you on a continuing basis with employee communication. Communicating the plan's features and benefits is essential to broad participation. And broad participation is essential to a successful 401(k) plan.

A service provider should be available to come in from time to time and reinforce the plan's value to employees.

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