



Plan Administrators, Inc.

Notice to Plan Sponsors

The Pension Protection Act of 2006 was signed into law on August 18 2006. This legislation affects your retirement plan in many ways and each new requirement or revision of the law necessitates changes to the operation of your plan. One such modification is the rules relating to participant benefit statements that are provided to the participants in your plan. Unfortunately, the new law does not provide many details of exactly how these participant statement requirements should be met and in some cases sets requirements that many in the benefits industry consider almost impossible to meet. To try to clarify some of the new rules, the Department of Labor (DOL) issued additional guidance in December of 2006 in which it provided an outline of what they would consider "good faith compliance" with the new requirements. However, the "real world" applications of many of these requirements have not yet been addressed which has left the benefits industry scrambling over the past few months to provide solutions to clients where few answers exist. The law requires the DOL to issue further guidance on the subject but that is not expected or required until the end of this summer. Since one of the new requirements calls for quarterly participant statements before May 15th, the supplemental guidance will be of no use for this first compliance period.

In the meantime, MVP has been actively seeking clarifications from industry experts on the existing legislation, coordinating with all outside record keepers and vendors to ensure the requirements are being met, reformatting all participant statements and continuing to monitor changes in the law as it relates to this topic. Below is a brief outline of the participant statement requirements as we understand them today.

Who is affected?

All qualified retirement plans.

When do these changes take place?

Plan Years beginning on or after January 1, 2007.

If your Plan allows participants to choose the investments for any portion of their account balance, the participants must receive a benefit statement within 45 days following the end of every calendar quarter. This means that the first benefit statement would be due between March 31, 2007 and May 15th, 2007.

If your Plan does not allow participants to invest their own account balance and all assets are invested by the Plan Trustees, then participants are required to receive a statement within 45 days after the end of the Year. This means that the first benefit statement for a plan that began January 1, 2007 would be due before February 15, 2008.

What information must the statement contain?

1. Financial Information: The participant statement must include the value of each investment to which assets in the plan have been allocated, determined as of the most recent valuation date including the value of any employer securities held. Please note that this requirement necessitates that the participants receive a listing of all assets held in the Trust for any Plan or portion of a Plan that is Trustee-directed.
2. Vesting Information: At least once per year the participants must be provided with their vested account balance or the information they would need to calculate their vested interest in the plan.
3. Permitted Disparity: The participant must be notified if your plan contains an employer profit sharing contribution that is integrated with Social Security. Our current understanding is that this information must be provided as long as the provision is in your plan document, even if your plan does not actually allocate profit sharing contributions.
4. Limitations on Investment Rights: The statement must identify any limitations that the Plan imposes on the participants' ability to invest their accounts. This would include any limitations on employer securities or any limitations on the participants' ability to direct the investments of a portion of their account balance.
5. Portfolio Diversification Recommendation: The statement must contain language that educates the participant about the importance of diversifying their account holdings. This is only required on the statements for plans that allow participants to choose their investments. The DOL has provided model language that can be used for this purpose.
6. DOL website: The statement must contain a reference to the DOL website where the participants can obtain additional information about their rights. We suggest also including the DOL's phone number. The contact information is 1-866-4-USA-DOL and www.dol.gov.

The DOL has indicated that these six items can be provided from multiple sources provided the participant is given a notice that details who will be providing each item. We are still unclear about how this notice must be communicated and how soon before the statements are distributed must it be given.

MVP has spent countless hours trying to make sure that your plan is in compliance with these regulations. If your primary record keeper is someone other than MVP (i.e. John Hancock, First Mercantile, Hartford, American Funds, etc) we do not prepare the quarterly participant statements and so cannot attest to the compliance with these requirements. Although, we are still making every attempt to coordinate with these record keepers to ensure these requirements will be met.

One unifying theme we have found among the benefit professionals with which we have consulted, is the overwhelming amount of time and energy these changes in the legislation have mandated. It appears to be an industry standard to charge additional fees to the Plan Sponsor to recover such time and expenses. MVP does NOT believe that this is an expense our clients should have to incur. We pride ourselves on our ability to provide comprehensive services in the area of Plan compliance and do not believe that our clients should have to bear the burden of additional fees when the law becomes more complex.

Therefore, in our continued commitment to our clients, we will not be assessing additional fees to cover our costs to comply with these new regulations. We will continue to find new and improved ways of providing excellent communication pieces for your employees.