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We have changed our name!

As part of our brand revamp we are now Farmer & Betts.

We have also updated our marketing materials, added a logo and changed our website. Check it out! www.fbpension.com

Top Providers

Numerous national investment companies have chosen to list Farmer & Betts onto their preferred list of service providers. We can work with any investment company. Examples include: American Funds, Ameritas, Ascensus, Charles Schwab, Fidelity, Great West, Guardian, Hartford, ING, John Hancock, Lincoln, Mass Mutual, Nationwide, Principal and Transamerica.

Deadlines for 12/31 Year-End Plans

- 10/1/12 – to establish a new 401(k) with a safe harbor option
- 12/1/12 – to add a safe harbor option for 2013 to an existing 401(k)
- 12/31/12 – to establish a new 401(k) or Defined Benefit Plan

403(b) Compliance Update

Top IRS officials held a phone forum on June 12, 2012 to present their overall outlook on 403(b) plans. Many 403(b) Plan sponsors are having difficulty with the Final Regulations that became effective in 2009. Specifically, they are finding many Sponsors either did not adopt a plan document timely or hastily adopted one which they are not following. Through their Audit division, the IRS is inspecting more 403(b) plans each year. They will look to insure there is a plan in place, with a signed and dated Board Resolution adopting the plan. They will also be inspecting records to insure that the Universal Availability Rule (everybody must be given the opportunity to make deferrals) is being followed. Plan sponsors should be aware that the IRS will be inspecting the client/vendor relationships for compliance as well.

408(b)(2) Fee Disclosure to Sponsors

Effective July 1, 2012, ERISA Section 408(b)(2) requires service providers to disclose any fees they receive if combined fees are expected to total \$1,000 or more over the lifetime of the fee arrangement. Note that the fee arrangement must be “reasonable.” The disclosure should help employers identify costs from providers to assist in choosing which firm to administer the plan. In a past survey, Mercer found that, “21% will change from a non-transparent bundled pricing arrangement to a transparent, fixed administrative fee pricing arrangement”.

About FARMER & BETTS

Farmer & Betts is a fee only, third party pension administration and consulting firm that does not handle any investments or insurance. Founded in 1992, our company administers over 2,000 qualified retirement plans for clients primarily throughout Washington, Oregon, Colorado, Texas, Georgia and California.



404(a)(5) Participant Fee Disclosure

ERISA 404(a)(5) disclosures are keeping retirement plan platforms, TPAs and Broker Dealers on their toes to ensure that trustees have the necessary information to distribute the required participant statements and notices.

Late DOL guidance has aided in the confusion of an already cumbersome regulation. As more guidance becomes available, we expect the disclosure process to become more efficient over the next year.

It is ultimately the responsibility of the Plan Sponsor to provide the required statements and notices to the participants. The regulation requires that participants receive the annual notice on or before the date they can begin to direct their investments and again annually thereafter. The first deadline for Plan Sponsors to send the initial Annual Fee Disclosure Notice was August 30, 2012. The regulation also requires that participants receive quarterly statements showing any plan-related fees deducted from individual accounts.

Tax Credits for New 401(k) Plans

Tax credits are available to a business owner that establishes a new 401(k) plan. The business may be eligible to receive an income tax credit of up to 50% of the first \$1,000 (\$500 maximum) of qualified costs to create or maintain the plan. The credit may be claimed with qualified costs incurred in each of the first three years starting with the tax year when the plan became effective. This tax credit is available on IRS Form 8881.

MAP-21 Increases DB Flexibility

The “Moving Ahead for Progress in the 21st Century Act” (MAP-21), while primarily a transportation bill, provides funding relief for DB Plans. MAP-21 will smooth segment rates (traditionally a 2 year average) to a 25 year average, which will effectively increase the funding interest rate and thus lower required minimum contributions. The change is optional for plan years beginning in 2012 and required for plan years beginning 2013 and subsequent years. This act should help clients who would like a lower DB contribution in down years. Please note that the IRS will be issuing further guidance on the application of MAP-21. Beginning in 2013, MAP-21 also increases the level of PBGC premiums.

DBs More Attractive Due to Possible Higher Tax Rates

Planners may now lead their clients into cutting-edge plan designs, using a simple rule of thumb, “The 40-50-5 Rule.” Flag any employer that is age 40 or older, would like to contribute in excess of \$50,000 and would consider at least a 5% company contribution to eligible employees. This would allow either:

- DB/DC Combination Plans enable older owners to receive deductions over \$200,000 in a Defined Benefit Plan. The employees receive a classic 401(k) Profit Sharing Plan contribution;
- Cash Balance Plans show employees what is going into the plan for each participant and what will be paid out upon termination;
- Uni(k) and DB Plans replace SEPs. If an owner has W-2 wages under \$200,000, then they can always contribute more into a 401(k) or DB.;
- Owner Only DB Plans add a 401(k) for up to \$37,500 additional contribution (\$22,500 401k+ \$15,000 Profit Sharing).

Continuing Education Seminar

Please attend one of our complimentary seminars to meet our consultants and learn about the new laws. This event also serves as a great opportunity for you to personally invite your associates and business partners to attend. Our seminars include continuing education credits for CPAs and CFPs. An invitation is enclosed.



The information contained herein should not be acted upon without professional advice.