

Special alert for sponsors with self-directed brokerage accounts

*(This update is being sent to a limited number of clients. If you received it, it is at least **potentially** a very significant issue, **at least as far as fees are concerned**, and while we are not recommending any action yet, you should be aware of the potential problem described below. We will keep you posted as we learn more. Remark: We started this newsletter over two months ago, and have been hoping for guidance but at this point we are totally frustrated by the lack of that guidance, and don't expect any in the near future. So, we are releasing this now, half-cocked though it may be.)*

In a recent update, we discussed the Pension Protection Act of 2006 (PPA), and guessed that it wouldn't mean nearly as much to our clients as the hype that surrounded its passage might indicate. That's still our general impression, but we're beginning to recognize some of the administrative requirements as significant - perhaps "onerous" or even "completely impractical" would be better descriptions.

One item that affects you is a new requirement for participants in self-directed accounts to receive *quarterly statements*. Your participants receive *monthly* statements from your brokerage firm, and we are hoping that these statements will satisfy at least the basic "statement" part of the new requirement. Unfortunately, there are other things that must be included, such as vesting information and explanations about investing concepts and rights. We are waiting for guidance from the government about exactly what this means:

- The best-case scenario is that we can use your brokerage statements as is, and we and/or the brokerage firm can add a supplemental notice covering the other requirements, and wrap things up with an annual statement as we do now.
- The worst-case scenario is that we have to do a "full" valuation *each quarter*, and update account information as it may apply to different kinds of money in the plan (e.g. 401(k) vs. employer profit sharing).

I believe either scenario will be "information overload" for the participants and will accomplish nothing. My opinion doesn't matter though, so we will make every effort to comply. At this point, I can't tell you what this will cost, because we don't know yet how much extra work we'll have to do, but **it is very likely that fees will increase!** *We will initially bill hourly* for any work related to this new requirement, and I would expect that we will eventually work out a flat fee or per-participant fee once we have a good idea of what is involved. In the best-case scenario, the fees should be reasonable. **In the worst-case scenario**, because we have to do a full valuation each quarter, **your total annual fees may increase by three times or more!** We are hoping that it doesn't come to that, but *we simply don't know which way this will end up, so there's nothing to do now*. You should, however, be prepared to discuss this matter with your broker, and with us - there are investment "platforms" that can probably satisfy these requirements without increasing costs significantly, and your broker can help you select an appropriate vehicle, if it comes to that. We would like to be part of that discussion, to assure that our systems are compatible with any alternatives that are considered.

I repeat that there is nothing to do now, but I did want to give you an early "heads up."

Ed Snyder

P.S. If you are an activist, you might want to contact your representative and senators and ask what they thought they were accomplishing!

MRP Plans, Inc.
1670 Whitehorse-Hamilton Square Road, Second Floor
Hamilton, NJ 08690 · Phone (609) 689-9400 · Fax (609) 689-0140
Edward B. Snyder, CPC, QPA · David W. Lewis, QPA
e-mail: Ed: mrp.ed@verizon.net Dave: mrp.dave@verizon.net