

SUMMARY OF PARTICIPANT STATEMENT REQUIREMENTS UNDER THE PENSION PROTECTION ACT OF 2006

- **Effective for plan years beginning after 2006.**
- **Owner-only plans are exempt from the new rules**
- **May be provided via electronic media under DOL guidelines (must be reasonably and regularly accessible)**
- **Potential penalty – participants may sue to recover \$100/day the statement is late**
- **Frequency of statements:**
 - Participant-directed DC accounts: must provide statement at least once each calendar quarter.
 - Non-participant-directed DC accounts: must provide statement at least once each calendar year.
 - Defined Benefit accounts: must be provided at least once every three years to participants with a vested accrued benefit who are employed on the date the statement is provided, and upon written request (maximum one request in any 12-month period). As an alternative, the plan may provide a notice once each year to participants that the benefit statement is available and the means by which it can be obtained. This notice may be in written or electronic media (if reasonably accessible to the participant).
- **Statement content requirements:**
 - Total accrued benefits (DC = account balance) based on the latest available information.
 - For DC – the value of each investment in the account, including employer securities, as of the most recent valuation date under the plan.
 - If the plan utilizes “permitted disparity” (social security integration) or is part of a floor-offset arrangement, an explanation of how this applies to the determination of any accrued benefits under the plan.
 - Vesting: Either the vested benefit or the earliest date on which benefits shall first vest, based on the latest available information.
 - Alternative vesting notice:

The vesting information on the participant statement need only be updated annually,

-OR-

At least annually, a separate statement is provided with information sufficient for the participant to compute the vested benefits.

NOTE: To date, the DOL has not provided any guidance on the vesting notice.

➤ If participant-directed DC:

- Explanation of any plan-imposed limits on the right to direct or diversify
- DOL's sample statement on the importance of diversification:

“To help achieve long-term retirement security, you should give careful consideration to the benefits of a well-balanced and diversified investment portfolio. Spreading your assets among different types of investments can help you achieve a favorable rate of return, while minimizing your overall risk of losing money. This is because market or other economic conditions that cause one category of assets, or one particular security, to perform very well often cause another asset category, or another particular security, to perform poorly. If you invest more than 20% of your retirement savings in any one company or industry, your savings may not be properly diversified. Although diversification is not a guarantee against loss, it is an effective strategy to help you manage investment risk.

In deciding how to invest your retirement savings, you should take into account all of your assets, including any retirement savings outside of the Plan. No single approach is right for everyone because, among other factors, individuals have different financial goals, different time horizons for meeting their goals, and different tolerances for risk.

It is also important periodically to review your investment portfolio, your investment objectives, and the investment options under the Plan to help ensure that your retirement savings will meet your retirement goals.”

- Notice that additional information may be obtained on the DOL's website:
www.dol.gov/ebsa/investing.html

The DOL has issued guidance which allows for the required information to be provided in multiple documents:

Participants and beneficiaries must be notified (in a manner that the pension benefit statement could be furnished) prior to the date the first statement is required under PPA '06 how and when the information will be provided.

If the information is to be provided thru access to one or more secure web sites, participants and beneficiaries must be notified prior to the date the first statement is required under PPA '06, and at least annually thereafter, how to access the information and their right to request a paper copy of the information free of charge.

The guidance also states that a pension benefit statement which is provided within 45 days of any applicable deadline shall constitute good faith compliance with PPA '06.