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To our clients and friends:

This is another in a series of newsletters designed to keep you clearly informed of current events in the area of retirement plans. (plus whatever other stuff I find interesting ...)

Plan Document Updates:

As you probably recall, the IRS demands that all plan documents be “restated” every few years. The clock is just now starting to tick on the next cycle for defined contribution (i.e., 401k, profit sharing, etc.) plan documents. This is because the IRS just recently approved the model language. Bottom line – all 401k plan documents will need to be redone within (approximately) the next two years. In general, the documents need to be redone every six years.

The IRS also recently relaxed their rules for restating one type of defined benefit plan documents, called “cash balance plans”. Since they are a relatively new type of plan, the IRS wanted to treat them more carefully. Thus, until now, you had to file each document with the IRS for a “favorable letter”, which entailed time + hassle + \$\$\$. The IRS has just announced that, in the future, these plans no longer need to be filed for this type of favorable letter. This will make them easier and less expensive to use.

Metro Updates:

We recently added to staff in our Charleston, WV office. Please join us in welcoming Skye Smith, a recent graduate of Marshall University. Skye will be pursuing the actuarial exams, as well as administering 401k plans. Actually, this office is in Ripley, WV, but we like to call it Charleston, as more people recognize that name and its only 39 miles away. (Although this only is a half hour drive, I am told by those who do it a lot.) This brings our office up to a size of four employees in WV. We really enjoy working in this region!

We've also had some new hiring in our main office in Pittsburgh. Please join me in welcoming Stephanie Alioto and Adam Davis, who will be working on 401k plans as Pension Analysts.

Stephanie previously was a Pension Benefit Payment Specialist at BONY Mellon. Her daughter, Seraphina, attends Shaler High School. Adam recently graduated from the University of Rochester, and he is an intense fan of both the Penguins and Steelers. Also, Jennifer Hildenbrand recently joined our team as an Administrative Assistant. Jennifer is getting married early this month.

Finally, please join me in congratulating Linda Fulton in attaining a professional designation, QKA, which stands for Qualified 401(k) Administrator. We are very proud of Linda's accomplishment, as we are for our other professionals who have achieved these types of designations. (See our letterhead).

Tax Reform Update:

I will try to keep the big picture here. Although a few proposals are spitting out of the system, nothing looks like it will get done anytime soon. Cause = "political gridlock". Some of these proposals are a little scary, for example freezing the limits for the next 10 years, and demanding that all 401k deferrals over ½ the annual limit be classified as "after tax" ("Roth"). Another perennial proposal amounts to double taxation. This would provide that "pre-tax" deferrals enjoy no more than a 28% rate of tax deduction, so if you are in a higher tax bracket, you'd have to pay the difference in taxes (now), plus pay tax (again) later when you take the money out. This sounds a little un-American.

Update on Ethics:

We don't talk about this topic too much, although it is obviously very important. We at Metro are subject a few different rules. First, we are subject to the Code of Conduct for our profession, published by ASPPA. (I was the chairperson of the task force that updated this Code a couple of years ago.) Some of our work may also be covered by an IRS "Code", called Circular 230. These are the rules if you want to practice before the IRS. Finally, I am subject to an "Actuarial" Code of conduct.

Most of these Codes tell us to play nicely, be honest, and to serve our client's interests faithfully. A lot of these rules are common sense.

Keep in mind, however, that we are not policemen. If we see a problem with your plan, we are not going to call the IRS or DOL on you. However, we may be forced to disclose the problem to you, along with its potential consequences, in writing. Let me know if you'd like to see a copy of these Codes, or if you have any questions or comments.

Local Pension Group in Pittsburgh:

For those interested, we are part of a local Pension Group in Pittsburgh, called the ABC Chapter of ASPPA. We have meetings for interested (and interesting!) people, four times a year. The next meeting will be 5/22 at 2:30 PM, at the Renaissance Hotel in Pittsburgh. The topic will be a "Washington DC Update". Let me know if you'd like to attend.

Baseball Actuarial:

Another Spring, another season! Not looking great for the Pirates so far, although opening day was fun. The statistical column from the NY Times (“538”) just published an analysis of balls and strikes calls by umpires. They compared the actual calls with the “correct” calls, which they can do now more easily with technology. The main findings are that umpires call balls and strikes incorrectly in the following situations:

1. When there are already two strikes in the count, the umpire is much more likely to give the batter a break by not calling strike three when warranted.
2. When there are already three balls in the count, the umpire is much more likely to give the pitcher a break, by (incorrectly) not calling ball four.
3. When the umpire has just called a strike on the previous pitch to the batter, he is very unlikely to do it again, even if warranted.

Being an umpire myself, I did not realize we were such nice guys! A lot of this may sound like a defensive strategy to not call attention to yourself, and to not make yourself too “important” a part of the game. But by making wrong calls, it creates a bigger problem. Let me know what you think umpires are doing wrong, plus it would not hurt if you want to share your feelings on instant replay. Thanks to my son Kevin for passing this along.

Best Wishes,

David M. Lipkin, MSPA, FSA, Editor

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