



LOREN D. STARK COMPANY

RETIREMENT PLAN CONSULTANTS & ADMINISTRATORS

Fall Newsletter

starkpensions.com

Actuarial Mortality Tables – changes in 2016 for Defined Benefit plans

In early 2014, the Society of Actuaries released, in draft form, new mortality tables which reflect a percentage increase in the life expectancy of American men and women. The IRS will adopt the new tables in 2016.

Once the new mortality tables are adopted, defined benefits will see an increase in their measured value liabilities anywhere between 3% and 8%, depending on the participant make-up of the individual plans.

Minimum lump sum payout amounts will dramatically increase due to increases in life expectancy exceeding anticipated amounts in previous years. Plan sponsors who have terminated vested employees who have been carried on the plan but not yet been paid, should consider making distributions to these employees during 2014 and 2015 since the costs will increase significantly once the new tables are applied in 2016.

A positive aspect in the mortality table increase is that maximum §415 lump sum distributions as well as some 417(e) minimums (depending on interest rate) also increase and can benefit owners who wish to take larger deductions and lump sum payouts.

HATFA Law changes interest rates

With the recent signing of the \$10.8 billion highway funding bill, valuations of all Defined Benefit plans for plan years that begin in 2014 are required to use the MAP-21 segment interest rates of 4.99%, 6.32%, and 6.99%.

This law was finalized during the first week of August 2014 and also affects valuations for plan years beginning in 2013. This includes any off-calendar 2013 valuations still in progress and year-end valuations for off calendar years ending 2014.

The new 2013 segment rates are 5.23%, 6.51%, and 7.16%. Those 2013 valuations already completed with prior rates are still valid. We are still waiting for additional clarification regarding 2014 valuations that were completed with the interest rates in place prior to the finalization of the law.

IRS Penalty Notice on Forms 5500/5500-SF/5500-EZ

In 2014 the IRS began sending penalty notices as the first step in the Form 5500 and 5500-SF reporting protocol. Prior to this year, the first step in this process was for the IRS to mail an inquiry notice which stated that they had not received the Form 5500 by the regulatory deadlines assigned to the plan's specific plan year end (i.e., for a 12/31 calendar year, reporting deadline is 07/31 and 10/15 (extended)).

The inquiry notice allowed the plan sponsor to mail a copy of the signed Form 5500/5500-SF to the IRS along with a letter of explanation stating the form

OUR BEGINNING:

During the depths of the depression, Loren D. Stark made a survey to determine the most promising city in the United States destined to become a metropolis of great commerce and industry. His search revealed that city was Houston. In July 1938, he moved from Oklahoma to Texas to become an agent for the Connecticut Mutual Life Insurance Company. He arrived with a vision not only to support his considerable family, but to serve his clients with expertise and integrity. That was the genesis of the Loren D. Stark Company, Inc. (LDSCO).

His son, Donald D. Stark, after graduating from Wharton School of Finance and Commerce, and serving as a lieutenant in the Navy, returned in 1957 to carry on the legacy of his father's vision.

Today LDSCO has an ongoing mission and commitment to the development and integration of state-of-the-art technology and service for providing our client with the most comprehensive retirement plans available. Over 90 employees currently perform these services for more than 2400 plans.

IMPORTANT NOTICE:

This newsletter is intended to provide general information on matters of interest in the area of qualified retirement plans and is distributed with the understanding that the publisher and distributor are not rendering legal, tax or other professional advice. You should not act or rely on any information in the newsletter without first seeking the

was filed prior to the regulatory deadline. This usually concluded the inquiry process, and the IRS accepted the filing as received and filed on time. If the plan sponsor didn't file the Form 5500 by the regulatory deadline, the notice provided a window of time in which the plan sponsor could file the form under the Delinquent Filer Voluntary Compliance (DFVC) program. This program allowed the plan sponsor to file the form with the EBSA, and pay a fee that was substantially less than the penalties and interest levied by the IRS for late or non-filing.

With the IRS bypassing the inquiry notice stage and going straight to penalty notice as the first step in the reporting protocol, the plan sponsor no longer has the option of filing a late form under the DFVC program.

The same situation applies to those plan sponsors who file a Form 5500-EZ. While the DFVC program has never been available to EZ filers, the filers were given the option of submitting a Probable Cause letter explaining those circumstances which contributed to the late or non-filing of the Form 5500-EZ and request penalty relief based on those circumstances. The IRS would then determine if the circumstances noted were acceptable to grant penalty relief. Like the DFVC option, the Probable Letter option is no longer available once the penalty notice is issued.

On June 2, 2014, the IRS instituted a penalty relief program for Form 5500-EZ late filers. This pilot program allows a Form 5500-EZ filer to file a late Form 5500-EZ with the EBSA under this penalty relief program. This program is temporary and will no longer be available after June 2, 2015.

PS-58

PS-58 costs are the costs incurred by the participant on the value of the life insurance protection that is provided under a qualified retirement plan. The retirement benefits are tax deferred, so the participant pays no income tax until the benefit is finally distributed. Conversely, the death protection is considered to be a current benefit, not a deferred benefit, so the value of that benefit is currently taxable. It does not matter what type of life insurance is purchased by the plan; if the insurance is held under a qualified retirement plan, there is a PS-58 cost to the participant as long as the policy is in effect and held by the plan. The cost of life insurance is calculated annually on the value of the life insurance and is currently taxable to the participant as if it were a distribution from the plan. These distributions are not subject to the 10% premature penalty or tax withholding. PS-58 is reported annually on the Form 1099-R which has a mandatory reporting requirement.

advice of a qualified tax advisor or CPA.

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8:00a.m. - 5:00p.m. Mon-Thurs
8:00a.m. - 2:00p.m. Friday

OUR PRIVACY POLICY

At Loren D. Stark Company, Inc. (LDSCO) we are concerned about your privacy. We value our clients' trust, and your continued confidence is important to us. By fulfilling our clients' qualified retirement plan needs, LDSCO has access to nonpublic personal information about its customers. LDSCO values the protection of personal information and its use in a confidential manner that is consistent with the requirements of its customers.

LDSCO takes every reasonable precaution to protect the accuracy and integrity of nonpublic information. LDSCO restricts access to nonpublic information to those employees with a specific business purpose for use of the information. LDSCO has established security procedures to comply with existing regulations and to conform with standard industry practices to safeguard client information.

Information is the cornerstone of LDSCO's ability to provide superior service and our most important asset is our clients' trust. Keeping client information secure, and using it only as the law will permit, is a top priority for us at LDSCO.

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