



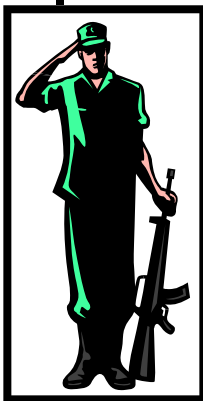
401(k) News Flash

American Pensions, Inc.

Spring 2006

This 401(k) News Flash includes important compliance information for plan sponsors, and exciting product updates. Please contact our office today if you have questions or need additional information.

The USERRA Rules Support Our Troops



Thousands of members of the National Guard and U.S. Military Reserve have been called to duty since the President's declaration of a national emergency following the attacks of September 11, 2001. As these service members conclude their tours of duty and return to civilian employment, it is

important for employers to understand their duties under the Uniformed Services Employment and Reemployment Rights Act (USERRA)

to ensure that the benefits of returning veterans are protected.

The Department of Labor released the final USERRA regulations at the beginning of this year. Under USERRA, employers must make the employer contributions that would have been made during the qualifying military service period, as well as allow the veteran to make up missed employee contributions that could have been made during the military service period. Military service is credited as service with the employer for purposes of service, vesting, participa-

tion and benefit accrual. There are also special provisions related to the repayment of participant loans

The DOL's Veterans' Employment and Training Service (VETS) administers USERRA, provides technical assistance and educational outreach, and investigates complaints. Information on USERRA is available on the VETS Web site: <http://www.dol.gov/vets/>.

If you have any questions regarding your duties under USERRA, please do not hesitate to contact us at (843) 884-3912.

Remember Roth?

Roth 401(k) plans are up and running and gaining in popularity. According to recent surveys, approximately 20% of plan sponsors currently offer or are planning to offer Roth 401(k) plans, with another 60% still considering them.

Roth is an option that can be added to a 401(k) plan to allow after-tax deferrals that can be withdrawn with tax-free earnings as long as the participant has reached age 59½ and at least five years have elapsed from the date of the participant's first Roth 401(k) contributions to the plan. For example, a participant who begins making Roth contributions in 2006 will not be able to withdraw their contributions AND earnings tax free until 2011, provided the participant is over age 59½ at that time.

Which employers should consider adding a Roth feature?

1) Companies with a large number of highly paid employees, particularly younger employees, such as investment management firms, medical groups, accounting firms, law firms, consulting groups, and technology businesses.

2) Companies with financially astute employees who are better suited to understand the analysis required to make an intelligent decision about Roth, such as financial services companies, brokerage firms, banks, pension administration and actuarial firms, and insurance organizations.

Plans with participation problems, low average account balances, lower income workers or a less sophisticated workforce would gain

little from adding a Roth feature, while the addition would certainly add substantial complexity to the participants' enrollment decision.

Inside this Issue:

- The USERRA Rules Support Our Troops
- Remember Roth?
- The Deadline for Depositing Deferrals
- Upcoming Web Enhancements

Where a Roth fits, it can fit exceptionally well. Plan sponsors must look at their workforce and their plan, and evaluate the Roth opportunity in that context

Please contact our office for more information on Roth or to add this option to your retirement plan.

This 401(k) News Flash is provided as a service to clients of American Pensions, Inc. to keep you abreast of new developments in qualified retirement plans. If you would like additional information about any of the items discussed in this newsletter, please call our office .

American Pensions, Inc., founded in 1989, is one of the largest full service, third party retirement plan recordkeeping and administration firms in South Carolina. As a "revenue neutral" registered investment advisor, API acts as a co-fiduciary with respect to our investment recommendations and advice.

Upcoming Web Enhancements

API is pleased to announce the following upcoming enhancements to www.401kfocus.com. Login to your account to view these new features. If you need a User ID and Password, please contact us.

- Upload payroll files through the plan sponsor website**
 This option will allow you to upload your payroll file via our secure website, thus enhancing the security of your confidential employee information
- Recurring rebalance transactions**
 This option gives the participant the ability to schedule recurring rebalance transactions on the web based on a frequency the participant chooses.
- Plan sponsor e-mail link**
 This option adds an e-mail link on the participant website for the participant to e-mail the plan sponsor.
- Transaction history export**
 This option will allow participants to download their transaction history into a CSV file.

The Deadline for Depositing Deferrals

A major focus for The Department of Labor is the timeliness of deferral deposits into 401(k) plans. This increased scrutiny makes it more important than ever for plan sponsors to understand the deposit deadlines and to establish sufficient procedures for continued compliance.

The DOL requires any contributions withheld from employees' pay, such as 401(k) deferrals, loan repayments, or after-tax contributions, be deposited into the Trust, though not necessarily allocated into investments, as soon as administratively feasible, but in no event later than 15 business days after the calendar month in which the funds were withheld. "As soon as administratively feasible" has been clarified by the DOL to generally mean 3 to 5 business days after being withheld from participants' salaries.

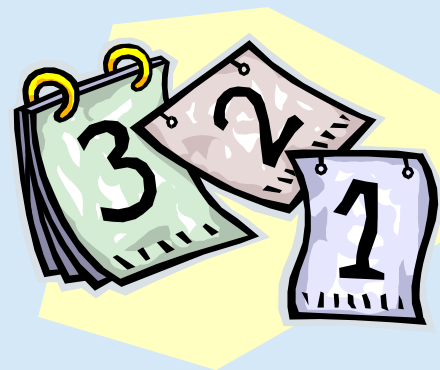
The reason for the regulations is clear: contributions that have not been deposited timely cause participants to lose both earnings and investment opportunities. These regulations are also intended to prevent employers from using participant contributions to manage corporate cash flow.

Because untimely deposits not only violate the DOL rules

but also constitute an IRS prohibited transaction, failure to make timely deposits requires disclosure to both agencies. Late deposits must be indicated on Form 5500, and the accountant's audit report, if applicable, and are considered a "red flag" to both the IRS and DOL, greatly increasing the chance that the plan will be selected for audit.

In addition, Form 5330 must be filed with the IRS to disclose the prohibited transaction and calculate a 15% excise tax on the associated lost earnings. The lost earnings calculation can become quite complicated, and until the problem is corrected, these prohibited transactions and penalties carry forward from year to year.

Please contact our office if you have any concerns about the timing of your deferrals or if you would like to discuss these regulations further.



**Coming up in our next issue—
The Latest News on Pension Reforms**

American Pensions, Inc.

Retirement Plan Administration and Consulting

735 Johnnie Dodds Blvd., Ste 200, P.O. Box 98
Mount Pleasant, SC 29465-0098

Phone: (843) 884-3912, Fax: (843) 881-4051
www.401kfocus.com, email: info@ampen.com