Labor Department Intends to Require Added Information on 401(k) Statements

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The United States Department of Labor (the "Department") has indicated it will propose a new rule that requires qualified participant 401(k)retirement plan statements to show the monthly income the participant can expect to receive over his/her life expectancy. Currently, these statements show only the total amount of a participant's plan balance, not how much lifetime income a participant can expect to receive from that balance. The Department believes plan participants need more information to determine whether they will have saved enough for a secure retirement. In a recent email, Assistant Labor Department Secretary Phyllis Borzi presented a sample benefits illustration to demonstrate the need for the new regulation. In the example, a plan participant had a $100,000 plan account balance. However, the participant might only be able to purchase an annuity paying $700 per month with that balance which, in the Department's view, would be substantially less than the participant might expect. The Department believes providing this type of information to participants on their benefit statements will encourage them to save more. The Department has provided an online calculator, available at this link, to demonstrate how lifetime income illustrations will be determined under the proposed regulatory framework. The Department is seeking public comment regarding a new rule that would require a participant's accrued account balance to be expressed as an estimated lifetime stream of payments. Comments, which will be accepted until July 8, 2013, can be made at www.regulations.gov or by email to e-ori@dol.gov. This is just one example of the ways in which constantly changing rules impact qualified retirement plans. Carlton Fields has considerable experience helping employers, trustees, and plan administrators comply with the numerous rules and regulations that govern retirement plans and ERISA. We also are experienced in correcting plan errors and reviewing plans so they are cost effective and provide maximum benefit.

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