

**GRAF & STIEBEL  
THE PENSION PROTECTION ACT OF 2006**

<b>DATE</b>	<b>BENEFITS STATEMENTS</b>	<b>COMMENTS</b>
<p>2007 PY Mandatory</p>	<p>All Plan participants and beneficiaries with a Plan account must be provided a benefits statement that describes:</p> <ul style="list-style-type: none"> <li>• The participant's accrued vested account balance;</li> <li>• The value of each Plan investment in which a Participant's account is allocated; and</li> <li>• An explanation of any permitted disparity or floor offset arrangement.</li> </ul> <p>For Plans with participant directed accounts, the statement must also include:</p> <ul style="list-style-type: none"> <li>• An explanation of any restrictions on the right to direct investments;</li> <li>• An explanation of the importance of a diversified portfolio; and</li> <li>• Directions to the Department of Labor ("DOL") website for information on vesting and diversification.</li> </ul> <p>For plans with participant-directed accounts, the statement must be provided quarterly within 45 days of the end of the calendar quarter. For all other plans, the statement must be provided annually on or before the due date of the Plan's Form 5500 (including extensions).</p> <p>The penalty for failure to provide the statement is \$110/day per failure.</p>	<p>The DOL has issued guidance regarding benefits statements and the diversified portfolio requirements.</p> <p>The statement may be provided electronically or via internal company website.</p> <p>The statement may be provided in more than one document. For example, vesting information may be provided by the third party administrator and investment information by the investment manager.</p>
<b>DATE</b>	<b>DISTRIBUTION NOTICE</b>	<b>COMMENTS</b>
<p>2007 PY Mandatory</p>	<p>The notice provided to participants receiving a distribution must now include:</p> <ul style="list-style-type: none"> <li>• A description of the consequences of failing to defer receipt of a distribution;</li> <li>• A description of the available investment options and applicable fees if the distribution were deferred; and</li> <li>• A reference to any provisions in the Summary Plan Description that contain special rules that may materially affect a participant's decision to defer distribution.</li> </ul>	<p>Distribution notices may now be issued up to 180 days before the date of distribution.</p>
<b>DATE</b>	<b>ACCELERATED VESTING OF EMPLOYER CONTRIBUTIONS</b>	<b>COMMENTS</b>
<p>2007 PY Mandatory</p>	<p>Non-elective employer contributions to the Plan must vest according to a three-year cliff or six-year graded schedule. Although the Plan may maintain its current vesting schedule for contributions made prior to 2007, contributions made on behalf of participants with at least three years of service must vest according to whichever schedule is more favorable.</p>	<p>Although the Plan may maintain bifurcated vesting schedules, this can be administratively difficult.</p>

<b>DATE</b>	<b>NON-SPOUSE BENEFICIARY ROLLOVERS</b>	<b>COMMENTS</b>
2007 PY Optional  2008 PY Mandatory	Non-spouse beneficiaries may make a direct rollover of the participant's account to an Individual Retirement Account ("IRA") established for the sole purpose of receiving the distribution in a direct trustee-to-trustee transfer.	The IRA receiving the distribution is treated as an inherited IRA subject to the Plan's minimum distribution requirements.
<b>DATE</b>	<b>ROTH IRA ROLLOVERS</b>	<b>COMMENTS</b>
2008 PY Optional	Plan distributions can be rolled over in a direct trustee-to-trustee transfer to a Roth IRA provided the participant meets the requirements applicable to Roth IRA conversions at the time of the rollover (including adjusted gross income limitations).	Beginning in 2010, adjusted gross income limitations will no longer apply to Roth IRA conversions.
<b>DATE</b>	<b>HARDSHIP WITHDRAWALS</b>	<b>COMMENTS</b>
2006 PY Optional	Participants may take a hardship withdraw to pay for medical, tuition, or funeral expenses incurred by the participant's primary (not contingent) designated beneficiaries.	The hardship must meet other applicable requirements under the Plan.
<b>DATE</b>	<b>401(k) CORRECTIVE DISTRIBUTIONS</b>	<b>COMMENTS</b>
2008 PY Mandatory	Beginning with the 2008 Plan Year, corrective distributions will be taxed in the year distributed and no gap period earnings are required to be allocated.	The tax treatment of excess elective deferrals remains unchanged.
<b>DATE</b>	<b>FORM 5500</b>	<b>COMMENTS</b>
2008 PY Mandatory	All Form 5500s must be filed electronically and will be posted on the DOL website. Employers that maintain internal websites must post certain Form 5500 information on the company intranet site.	
<b>DATE</b>	<b>PLAN AMENDMENTS</b>	<b>COMMENTS</b>
Dec. 2009 Mandatory	The Plan must be operated in accordance with PPA requirements. Plan amendments are required by the last day of the first Plan Year beginning on or after January 1, 2009.	Terminated plans must be updated to comply with PPA.
<b>DATE</b>	<b>ELIGIBLE AUTOMATIC CONTRIBUTION ARRANGEMENT (EACA)</b>	<b>COMMENTS</b>
2008 PY Optional	Plans may offer an EACA, which must meet the following requirements: <ul style="list-style-type: none"> <li>• Participants automatically make elective deferrals at a uniform percentage of compensation until the participant elects otherwise;</li> <li>• Contributions are invested in accordance with DOL regulations in the absence of a participant investment election (see QDIA below); and</li> </ul>	The notice must be provided within a reasonable time before the first contribution and annually thereafter so that the Participant has time to make a contrary

	<ul style="list-style-type: none"> <li>Participants receive a notice that describes: <ul style="list-style-type: none"> <li>The participant's right to opt out or change the election or investments; and</li> <li>The investments that will be used in the absence of participant election.</li> </ul> </li> </ul> <p>Advantages of an EACA:</p> <ul style="list-style-type: none"> <li>The Plan may make corrective distributions up to six months after the end of the Plan Year without being subject to the 10% penalty; and</li> <li>Contributions may be withdrawn without penalty if elected by the participant within 90 days of participation ("permissible withdrawals").</li> </ul> <p>The penalty for failure to provide the statement is \$1,110/day.</p>	<p>election.</p> <p>Permissible withdrawals do not have to be offered.</p> <p>State wage withholding laws are preempted to the extent such laws would interfere with automatic contribution arrangements.</p>
<b>DATE</b>	<b>QUALIFIED AUTOMATIC CONTRIBUTION ARRANGEMENT (QACA)</b>	<b>COMMENTS</b>
2008 PY Optional	<p>Plans may offer a QACA, which must meet EACA requirements as well as the following:</p> <ul style="list-style-type: none"> <li>The initial automatic deferral rate is no lower than 3% of compensation;</li> <li>The deferral rate must increase at least 1% each year until the deferral rate is at least 6% (but no greater than 10%); and</li> <li>The employer must provide a minimum matching contribution of 100% of elective deferrals up to 1% of compensation plus 50% of elective deferrals between 1% and 6% of compensation, or a qualified non-elective contribution of at least 3%.</li> </ul> <p>Advantages of a QACA:</p> <ul style="list-style-type: none"> <li>Same advantages of an EACA with respect to permissible withdrawals and corrective distributions;</li> <li>Exempt from ADP testing;</li> <li>May be deemed to meet top heavy requirements if certain conditions are met; and</li> <li>May adopt a two year vesting period for employer contributions, at which time the contributions will be 100% vested.</li> </ul> <p>All employees accrue employer contributions, including those not enrolled pursuant to the QACA.</p>	<p>The same rules apply for notices to participants and state wage withholding laws.</p> <p>The two year vesting period may not be applied to existing employees that have been granted a 100% right to employer safe harbor contributions, even with respect to future contributions.</p> <p>Existing employees may be excluded from the QACA if they have already made an affirmative election not to participate.</p>
<b>DATE</b>	<b>QUALIFIED DEFAULT INVESTMENT ALTERNATIVE (QDIA)</b>	<b>COMMENTS</b>
2008 PY Optional	<p>Plans that permit participant-directed accounts may provide a QDIA for participants who do not make an investment election. Plans that offer either an EACA or a QACA must, in the absence of participant election, invest a participant's account according to DOL requirements for QDIAs.</p> <p>A QDIA must meet the following requirements:</p> <ul style="list-style-type: none"> <li>Assets are invested in a "qualified investment alternative" (a diversified balanced fund, life cycle fund, or managed account that does not contain employer securities);</li> </ul>	<p>Plan sponsors that adopt a QDIA will receive expanded fiduciary protection.</p> <p>The notice must be provided at least 30 days before each investment and each Plan Year.</p>

	<ul style="list-style-type: none"> <li>• A notice is provided to participants regarding the QDIA;</li> <li>• Accounting statements, prospectuses, and other information related to the investments are provided to participants;</li> <li>• Participants are permitted to transfer assets at the same frequency as other plan investments but no less than quarterly; and</li> <li>• A broad range of investment alternatives are provided.</li> </ul> <p>The notice provided to participants must include:</p> <ul style="list-style-type: none"> <li>• An explanation of the participant's right to direct investments;</li> <li>• A description of circumstances under which assets will be invested in QDIA;</li> <li>• A description of the investment objectives of the QDIA;</li> <li>• An explanation of the right of participants to direct investments out of the QDIA into other investment alternatives; and</li> <li>• An explanation of where participants can obtain investment information regarding other investment alternatives under the Plan.</li> </ul>	
<b>DATE</b>	<b>CASH BALANCE PLANS</b>	<b>COMMENTS</b>
June 29, 2005 Optional	Cash balance plans are defined benefit pension plans that look like defined contribution plans. In this type of plan, each participant has a hypothetical account that receives an annual allocation credit and an annual interest credit. Lump sum distributions from a cash balance plan are calculated as the value of the hypothetical account as of the distribution. A cash balance plan may be preferable to a traditional defined benefit plan because they often allow larger contributions for older owners and are easier for employees to understand.	The PPA eliminates the doubts that previously surrounded cash balance plans due to age discrimination concerns. See our website for more information on this new plan design.
<b>DATE</b>	<b>COMBINED DEDUCTION LIMIT</b>	<b>COMMENTS</b>
2006 PY Optional	The deduction limit for employers that maintain both a defined contribution plan and a defined benefit plan has been increased to include a "cushion" equal to 6% of aggregate compensation. In addition, combined plans that are subject to coverage by the PBGC will not be subject to the combined limit as to the defined benefit portion of the plan beginning in the 2008 Plan Year.	This change in the law may allow increased contributions and significantly enhances the attractiveness of combined plans.
<b>DATE</b>	<b>DB(k) PLANS</b>	<b>COMMENTS</b>
2010 PY Optional	Employers with less than 500 employees may offer a combined defined benefit and 401(k) plan, referred to as a "DB(k)." The defined benefit component of the Plan must provide an accrued benefit of at least the lesser of 20% or 1% per year of service times the final average pay. The 401(k) component must include an automatic deferral rate of at least 4% and matching contributions of 50% up to 4% of compensation. All non-elective contributions must be 100% vested after 3 years of service.	We expect additional guidance regarding these plans prior to the 2010 effective date.