

NEWS RELEASE



American Society of Pension Professionals & Actuaries

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Contact: Chris Robichaux
crobichaux@asppa.org
P 703-516-9300

ASPPA Wants Relief for Small Businesses

Washington, D.C. — Stephen L. Dobrow, president of the American Society of Pension Professionals & Actuaries (ASPPA), told Congress today that small businesses across the nation are in need of regulatory relief while they try to continue their 401(k) and defined benefit pension plans. In [testimony](#) before the House Committee on Small Businesses, Dobrow provided examples of small businesses having difficulty providing employees with ways to prepare for retirement in this economy.

[Dobrow](#) is president of Primark Benefits, an employee benefits firm based in San Francisco, and small business itself, which provides record keeping, administration, and actuarial services for retirement plans. He told the committee that many small businesses that provide employees with retirement benefits need relief from large pension funding requirements that have resulted from the falling market. Others that sponsor safe harbor 401(k) plans need IRS to allow them to suspend contributions, without terminating the 401(k) plan altogether.

He told committee members many small companies are struggling to stay afloat as sales drop off and the owners find it harder to obtain loans. "Small businesses are the heart of the American economy. Their owners want to do right by their employees and are not asking for a bailout – only a life jacket to keep their heads above water during these troubling economic times," Dobrow said. He cited two clients as examples of stressed small businesses coping with the tough economy and facing difficult financial decisions.

One is a fruit importer with 15 employees. Due to how the pension rules work, as well as a drop in the market value of the plan assets, the minimum contribution rose from \$177,000 in 2008 to \$474,000 in 2009. There is no way that the employer can afford the nearly \$300,000 increase. Funding relief is urgently needed.

The other example is Cyclonix, a Silicon Valley company with 60 employees that does branding and trade show work. Last year it contributed \$69,000 to the company safe harbor plan and for 2009 became obligated to contribute approximately \$72,000 to the plan. Because its financial picture had changed, the company no longer can afford all of the required contribution. Its owners now are considering terminating the company 401(k) plan or possibly laying off some employees. A regulatory change, permitting employers to suspend safe harbor contributions prospectively while still protecting the rights of employees, would give Cyclonix and similar employers crucial relief. ASPPA also recommends that the federal government provide a new safe harbor that could give employers more flexibility to maintain employee retirement plans as the nation faces economic uncertainty in the future.

ASPPA is requesting remedies for small businesses on two paths – regulatory relief for safe harbor 401(k) plans, and funding relief for defined benefit pension plans. ASPPA requested the 401(k) safe harbor relief [in a letter](#) last week to the U.S. Department of the Treasury and the Internal Revenue Service.

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ASPPA is a national organization of more than 6,500 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines including consultants, administrators, actuaries, accountants, and attorneys. The broad-based membership gives it unusual insight into current practical problems with the Employee Retirement Income Security Act and qualified retirement plans with a particular focus on the issues faced by small- to medium-sized employers. ASPPA membership is diverse and united by a common dedication to the private retirement plan system.

4245 North Fairfax Drive, Suite 750 · Arlington, VA 22203-1648

P. 703.516.9300 · F. 703.516.9308 · www.asppa.org