



THE PANGBURN GROUP®

THE PANGBURN COMPANY
*Third Party Administration of
Nonqualified Executive Benefit Plans*

TPC CONSULTING
BOLI Compliance and Reporting

PANGBURN TECHNOLOGY
*Technology Solutions
& Custom Software*

TPC ACTUARIAL
Actuarial Consulting for COLI & BOLI

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The information in this publication is for general use and should not be applied to individual situations unless carefully coordinated with professional financial advice

The Pangburn Group

THE IMPORTANCE OF PLAN ADMIN

In the last few years, the landscape has changed considerably with regard to NQDC Plans. There has been a perfect storm with the convergence of complex compliance, reporting, disclosure, and accounting requirements. Since noncompliance with federal regulations now results in substantial financial penalty to the plan participants, plan sponsors are under increasing pressure to insure that all parties play by the new rules.

IRC Section 409A

Clearly the single most significant development in the last four years was the enactment of IRC Section 409A which promulgated for the first time an extensive and complex set of rules and regulations governing nearly all deferred compensation arrangements.

IRC Section 101(j) - COLI (Corporate Owned Life Insurance) Best Practices

Under Section 101(j), life insurance proceeds received by an employer will only be tax free, to the extent that the death benefit exceeds the premiums (or other basis), unless one of the stated exemptions applies, AND certain notice and consent requirements are met.

Reporting and Disclosure - W-2 and 1099 Requirements

The IRS has added a number of W-2 and 1099 requirements for NQDC Plans. The rules require careful placement of deferrals, earnings, and distributions in the appropriate box on the forms.

Reporting and Disclosure - SEC Disclosure Requirements

On 7/26/2006, the SEC adopted amendments to the rules on executive compensation disclosure for fiscal years ending on or after 12/15/2006. The Final Rules require information regarding nonqualified plans.

Accounting for Defined Benefit Plans - FASB 158

In September of 2006, FASB issued Statement No. 158, which significantly modified the rules for accounting and reporting liabilities for Defined Benefit Pension Plans, Nonqualified Defined Benefit SERP Plans, and other Post-Retirement Defined Benefit Plans.

Accounting For Post-Retirement Split Dollar

In the last 18 months, FASB has ratified directives relating to the appropriate accounting for post-retirement split dollar life insurance arrangements. Both endorsement and collateral assignment are affected by the FASB ratification of EITF 06-04 and 06-10, respectively.

In Summary

The perfect storm of compliance, reporting, disclosure, and accounting has focused attention on NQDC plans and mandated that clients and practitioners play more active roles in the design, implementation, and administration of these most important of fringe benefits. Bundled or unbundled, design, funding, and administration require a higher than ever level of both knowledge and technology.

EXTREMELY IMPORTANT

IRS Notice 2007-86 extended the deadline for documentary compliance with Code Section 409A until December 31, 2008. As of May 1st there will be approximately **170** working days remaining this year to bring plans into compliance. Failure to comply will result in severe financial penalty to plan participants. If you have not already done so, please have your clients contact either their legal advisers or our office immediately to begin the process. If your clients have already taken corrective action, please supply us with copies of compliant plan documentation. If your client's plans are not in documentary compliance by December 31, 2008, we will likely not be able to provide ongoing recordkeeping and reporting. Please contact us if you have questions or if we can be of assistance in this extremely important matter.

SOMEWHAT IMPORTANT

Effective Monday, May 12, 2008, The Pangburn Group will exclusively utilize its new web address, www.pangburngroup.com. Anyone who accesses the original websites, <https://secure.nqadmin.com> or <https://webaccess.nqadmin.com>, will be automatically directed to the new website.

Planning Briefs

SOCIAL SECURITY'S FUTURE:

In their recent annual report, the Social Security Board of Trustees reaffirmed 2017 as the key date for program costs exceeding revenues and 2041 as the Trust Fund exhaustion date.

BUREAU OF LABOR STATS:

Employer costs for employee compensation averaged \$28.11 per hour in December 2007. Wages and salaries average \$19.62 and accounted for 69.8% of compensation costs while benefits averaged \$8.49 and accounted for the remaining 30.2%.

FIND AND RETAIN:

A new Mercer study finds 1/2 of U.S. employers are putting in place staff freezes or downsizing programs or are considering the move while the rest anticipate no change. Many employers are keeping their eyes on the goal of "finding and retaining" key employees.

STAYING ON THE BOOKS:

A 2007 survey by Buck Consultants revealed that 95% of respondents will be retaining their executive defined contribution plans and 89% will be continuing their executive defined benefit plans.

EBSA SURVEY RESULTS:

Abstracts from 2005 Form 5500 Annual Reports indicate that the total number of pension plans fell for the fifth consecutive year to a current level of 679,000. The study revealed that defined benefit plans actually increased by 0.2% while the number of defined contribution plans fell by 0.6%.

SALARY INCREASES:

Compensation Resources, Inc. reports that the average merit/salary increases for all employee functional groups was 4.1% in 2007, and 4.1% is also the projected increase for all groups in 2008.

Plan Design Trends

One of the reasons for the historic popularity of NQDC Plans is flexibility in design. Although new regulations have placed some limitations on plan design, there remains enough room for creativity. For instance, an NQDC Plan designed to "look and feel" like a 401(k) plan could still be established that would be more flexible than a traditional Qualified Plan. The NQDC Plan could permit the deferral of salary, bonus, or fees, and allow participants a distinct set of deemed investment options and distribution choices for each deferral source. In addition, each year's deferral could be associated with its own vesting schedule (commonly called "class year vesting," a feature no longer permitted in 401(k) Plans). Although regulations require the selection of a "time and form" of payment at the time of deferral, the regulations permit the modification of the time and/or form, if certain conditions are met. Defined benefit plans are also getting a second look especially in situations where the participants do not have a lot of investment risk tolerance, where the accumulation window is less than 10 years, or where participants would rather bargain for the guaranteed benefits of a defined benefit plan in lieu of salary or bonus increases and the complexity of account balance plans.

2007 DOL TOP HAT STATS

Number of New Plans - 2,849
 Number of New Participants - 44,079
 Total Number of Plans Since 1976 - 96,001
 Total Number of Participants - 1,478,923
 Average Participants Per Plan - 15
 Average Participants in Plans
 With 100 or Fewer Participants - 7
 Percentage of Plans With 1 Participant - 25%

Technology Tips

Transmitting Data & Reports Securely Via the Administrator Website

Throughout 2008, The Pangburn Group will be transitioning all clients to the secure Administrator website for transmission of contribution data and delivery of reports.

For the submission of contribution information, most clients will want to utilize one of our contribution data feed formats, although there is a feature on our website to allow manual submission of contributions for smaller plans. The feed minimizes human error and significantly expedites plan processing. Moreover, it insures that all data is secured using high grade AES-128 bit SSL encryption. More information on the feed is available from <http://www.pangburn-company.com/home.php?page=feeds>. Feeds are submitted via the "Contributions" menu item for each plan.

For report delivery, we are now also utilizing the SSL encrypted Administrator website. By posting reports on the site, we are also able to maintain a history of reports in a single location. Most reports can now be transmitted this way including accounting reports and benefit statements. The platform supports most common file types including PDF, Word, & Excel. Reports are accessed using the "Uploaded Reports" sub item of the "Plan Reports" menu item for each plan.

The Pangburn Group is also working on additional tools for the Administrator site to enhance security, data integrity, & convenience including new feeds for census information, eligibility information, & to transition plan account balances.

If you are not already using the secure Administrator site to submit plan data and view reports, please contact your Account Manager.

INTERESTING RATES	2007									2008		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Short-Term AFR	4.90	4.85	4.84	4.97	5.00	4.82	4.19	4.11	3.88	3.18	3.11	2.25
Mid-Term AFR	4.61	4.62	4.64	4.95	5.09	4.79	4.35	4.39	4.13	3.58	3.51	2.97
Long-Term AFR	4.81	4.90	4.91	5.15	5.31	5.09	4.88	4.89	4.72	4.46	4.46	4.27
Section 7520	5.25	5.26	5.23	5.24	5.30	5.22	4.92	4.59	4.52	4.11	3.12	3.10
Federal Funds	4.92	4.89	4.98	4.98	4.82	4.39	4.11	3.89	3.15	3.17	2.13	1.74
T-Bill (One Year)	4.65	4.64	4.95	5.05	4.76	4.56	4.56	4.36	3.89	3.91	3.62	3.54
T-Bill (Ten Year)	4.84	4.81	5.06	5.14	4.90	4.84	4.79	4.64	4.34	4.35	4.32	4.42
Moody's Aaa	5.42	5.40	5.62	5.75	5.61	5.77	5.72	5.53	5.29	5.31	5.35	5.43

(Rates which fluctuate daily are shown on or about the 1st day of the month)

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