



PENSION STRATEGIES

QUALIFIED PLAN DESIGN & ADMINISTRATION

Strategic Update

Ideas, news and tips from Pension Strategies

May 2014

Retirement Plan Asset Valuation

Qualified retirement plans must account for their assets at market value with gains and losses recognized as the value for those assets fluctuates.

The market values of cash and publically traded securities are relatively easy to determine except for perhaps the estimated cost of disposal. The market values for non-publically traded assets, such as land, notes, or closely held stock are more difficult to determine. These non-conforming assets within a plan are required to have an independent valuation annually to determine the market gain or loss.

Each year the plans investment earnings, including market gains and losses, in defined contribution plans such as 401(k) and profit sharing must be allocated among the participants' accounts. If a market value change is not determined then participant account balances and benefits are misstated. Any misstatement will expose the plan, the trustee, and sponsor to subsequent claims for lost benefits from current and former participants. And, the participant does not even have to litigate the claim. The Department of Labor will do it for them.

Misstating valuations will have less of an immediate effect on defined benefit plans as the participant benefits are a function of a calculation. However, asset valuation misstatements can seriously affect the funding status of a defined benefit plan resulting in potential penalties for underfunding or excess contributions.

It is clearly important each year for the plan sponsor / investment committee to review all the assets of the plan to assure they have been properly valued at their current market values as determined by public markets or independent valuations.



UPCOMING DEADLINES

May 15, 2014

Extended due date of form 5500's for plan years ending July 31, 2013.

July 31, 2014

Deadline for filing form 5500's for all calendar year plans without an extension.

Defined Benefit Accrual Time

We are approaching that time of year when participants start completing enough hours to receive their defined benefit accrual for 2014. If you would like to make changes to your Defined Benefit Plan formula, now is the time! Call Pension Strategies if you are unsure about your plans' contribution requirements.



Please send in your data request, so we can complete your plan's annual administration.

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Congratulations to Julie Thompson

Robin Wright has just passed the Models for Financial Economics test. This is the third test in a series of five to be passed and achieve the Associate of the Society of Actuaries designation.



Robin graduated with a BS in Mathematics from the University of Arizona and has been working as a specialist on one of the Defined Benefit teams here at Pension Strategies. We are glad to have her on our team!

Please let us know if you would like us to address any topics in upcoming issues of Strategic Update. We're here to be your best resource in the Retirement Planning industry.

Sincerely,
Jack Lawless, CPA, APM
Pam Johnson, QPA, CPC
Jill Hastings, JD
David Schattenberg, APA, Senior Consultant
Mallory Young, Senior Consultant
And the entire Pension Strategies team