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Deferral.com

Special Delivery

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## **DEFERRAL.COM MAKES 409A TRANSITION EASIER**

As readers of our last edition of *Special Delivery* know only too well, the new nonqualified deferred compensation law, Internal Revenue Code Section 409A, imposes substantial penalties on participants whose elections, distributions and plan arrangements fail to comply with the new statutory constraints. The statute has broad application, but for most purposes, existing deferrals that have vested prior to December 31, 2004 are grandfathered, as long as the plan has not been materially modified after October 3, 2004. (See [www.deferral.com](http://www.deferral.com) for a copy of the new Section and our *Deferral.com Legal Update*, summarizing the important changes.)

While Section 409A will raise many questions in the coming months, one thing that is clear is that plan administrators and record keepers need the ability to clearly freeze existing plan accounts as of December 31, distinguishing between pre- and post-transition date deferrals, notional earnings and balances. At Deferral.com, this is easy!

- ◇ Have an existing plan with non-compliant pre-409A features? It's easy to freeze the plan and set up a new plan with compliant features.
- ◇ Want to use the same plan interface for pre- and post-freeze deferrals? With Deferral.com, you can set up new post-transition accounts under

the same plan interface, with different distribution and fund allocation parameters.

- ◇ Want cross-plan reporting? We can support that, too. With over three dozen reports on our system, and more being added with each release, Deferral.com offers you some of the most flexible reporting tools available in the nonqualified plan industry.

**Freezing plans is easy. Showing plan sponsors and participants what years' deferrals were vested on the transition date is easier still!**

Deferral.com has used class year accounting for . . . well, years (pun intended). Contributions, fund allocations, vesting, distribution elections, earnings – in fact, virtually all plan data, are kept at the class year level, even including beneficiary designations, if desired. Because Deferral.com was built from the ground up as a fully web-enabled database and record keeping system for nonqualified plans, the ability to track data on this level of detail, with careful accounting for different deferral years, was an obvious, central part of our technology design.

Don't let your record keeping system trip up your 409A compliance. At Deferral.com, we give you the tools you need to manage 409A transition smoothly and professionally.

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