

For Friends & Clients of Management Compensation Resources...

Spring is here! Or at least the calendar says so... The weather here in the Twin Cities doesn't fit that description yet – but we remain hopeful. Speaking of hopeful, we are beginning to hear “rumblings” from Washington, D.C. that the Treasury Dept. may get some additional deferred compensation guidance to us by late summer – but don't hold your breath, just in case they don't quite make it.

409A Regulatory Guidance

You may recall that Treasury is giving us all of 2005 to get nonqualified plan documents amended and plans into full compliance with the final rules and regulations, whenever they eventually come out. That hasn't changed and the official word from Washington continues to be that no amendments should be made to plans adopted prior to 12/31/04. However, **plans adopted after 1/1/05 can be drafted under a good faith interpretation of the current law and guidance** with the knowledge that amendments may be required after final regulations are issued.

Chicken Little & Deferred Compensation

I can't emphasize the bold part of that last sentence enough. Especially when astute publications like *CFO Magazine* publish articles with titles like “The Danger of Deferrals” [April 2005, NewsWatch section]. If you missed the article, you did not miss much factual information. If you did see it, you may be interested in getting a copy of the letter I wrote to the *CFO* editor shortly after reading the article. The article's main message was that deferral plans have somehow been significantly hamstrung by the new tax law. And while some plan provisions have been modified, I trust that you all feel comfortable that deferred compensation plans are indeed alive and well. In other words, the sky is not falling...

Follow-Up

We will be coordinating the actual plan amendment process with clients and legal counsel once the Treasury guidance is more complete. There is a chance that this process could spill over into 2006 but we have assurances from Treasury that if that is the case, adequate time will be provided to achieve compliance. ***Please let us know if you have any questions regarding these regulations or your nonqualified plans.***

Finally, if you are interested in being included on our e-mail alert list that will include timely updates of this type of information (minus the witty commentary), please send a short e-mail message to SarahR@mgtcomp.com telling us where to send it.