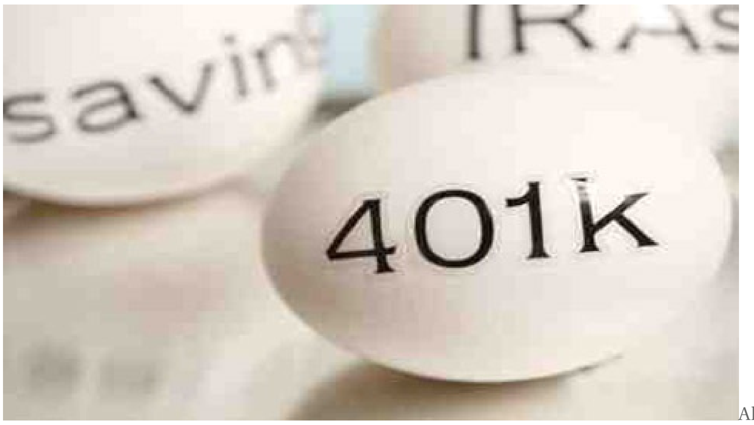
WORKERS 401(K) LOCKED SINCE LAST FOUR YEARS AS THEIR COMPANY FILED FOR BANKRUPTCY



All workers, who have a 401(k), know that imprudent investments and high fees can negatively impact their retirement. However, what if the company that sponsored your plans goes kaput and closes shop. In July, four years ago, Penn Specialty Chemicals, a company in Memphis sold most of its assets to a French chemicals concern. It gave its, less than 100 employees an option: either shift your plan to the acquirer or keep them with Vanguard, the fund giant, record keeper of Penn Specialty's 401(k). Most people, principally those who were on the verge of retirement, opted to play safe and opted for Vanguard. Things went from bad to worse for e Penn and the company filed for Chapter 7 bankruptcy. The court appointed a trustee who was required to advise the IRS why the 401(k) was ended and then wait for IRS to investigate and report if the plan had violated tax laws. In normal cases this should be a relatively simple process. Owing to the IRS, a bankruptcy is adequate ground for termination of 401(k). According to the IRS, under such circumstances 401(k) holders should receive their plans assets "as soon as administratively feasible," or within a year. Leave alone a year, the workers with 401(k) at Penn Specialty have not had a sniff of their money, even though four years have passed. Even though they can juggle among various Vanguard funds, they cannot have access to their money. To compound their woes, as they wait, they have had to pay high administrative fees on their accounts. Older account holders could end up paying tax penalties as they cannot take distributions as mandated. Moreover, inability to get the funds has put many retirees under considerable financial anxiety. The IRS, whom the trustee Mr. Miller is accusing for the holdup declined to tell what the reason for the delay was and did not even answer a general question, whether such delays were common for defunct companies. When Vanguard was asked about the $24,000 administrative charge, its spokesman said that the plan's trustees had ordered the fee deduction and, as record keeper, Vanguard had to act in accordance with the orders. John S. Woerth, a Vanguard spokesman, in a statement aid, "Vanguard does not have the legal authority to distribute any plan assets without their written approval. So, while we can understand the frustration of the participants in the plan, we are bound by the instructions (or lack thereof) of the court-appointed trustees." The trustee, Mr. Miller was rather indifferent to the workers problems and unsympathetic towards their woes. He said that the IRS had not responded to his request to terminate the company's 401(k) in the summer of 2009, hence the delay. "We do everything by the book," he said. "We filed the paperwork timely, and we're waiting." He added that distribution delays like those experienced by Penn Specialty account holders were pervasive among small-company 401(k) plans. "I have at least seven or eight in this status," he said. A spokesman at the Labor department acknowledged that its Employment Benefits Security Administration was looking into the Penn Specialty case. The unit examines if plan contributors are unpaid, files legal claims to protect plans' assets and ensures that fiduciaries suitably distribute assets to participants when a 401(k) is terminated. Is this delay an aberration or is it something that workers should be wary about. However, there is enough cause to believe that it is more the norm than the exception, especially if the company employs less than a 100 workers.