Management believes it is more likely than not that TSYS will realize the benefits of these deductible differences, net of existing valuation allowances. The valuation allowance for deferred tax assets was $15.4 million and $12.9 million at December 31, 2010 and 2009, respectively. The increase in the valuation allowance for deferred income tax assets was $2.6 million for 2010. The decrease in the valuation allowance for deferred income tax assets was $6.1 million for 2009. The increase relates to foreign losses, which, more likely than not, will not be realized in later years.

No provision for U.S. federal and state incomes taxes has been made in our consolidated financial statements for those non-U.S. subsidiaries whose earnings are considered to be reinvested. A distribution of these non-U.S. earnings in the form of dividends, or otherwise, would subject the Company to both U.S. federal and state income taxes, as adjusted for non-U.S. tax credits, and withholding taxes payable to the various non-U.S. countries. Determination of the amount of any unrecognized deferred income tax liability on these undistributed earnings is not practicable.

TSYS is the parent of an affiliated group that files a consolidated U.S. federal income tax return and most state and foreign income tax returns on a separate entity basis. In the normal course of business, the Company is subject to examinations by these taxing authorities unless statutory examination periods lapse. TSYS is no longer subject to U.S. federal income tax examinations for years before 2007 and with few exceptions, the Company is no longer subject to income tax examinations from state and local or foreign tax authorities for years before 2003. There are currently no federal or foreign tax examinations in progress. However, a number of tax examinations are in progress by the relevant state tax authorities. Although TSYS is unable to determine the ultimate outcome of these examinations, TSYS believes that its liability for uncertain tax positions relating to these jurisdictions for such years is adequate.

TSYS adopted the provisions of ASC 740 on January 1, 2007 which prescribes a recognition threshold and measurement attribute for the financial statement recognition, measurement and disclosure of a tax position taken or expected to be taken in a tax return. During the year ended December 31, 2010, TSYS decreased its liability for prior year uncertain income tax positions as a discrete item by a net amount of approximately $0.7 million (net of the federal tax effect). This decrease resulted from recalculating state liabilities and expiring federal and state audit period statutes and other new information impacting the potential resolution of material uncertain tax positions. The Company is not able to reasonably estimate the amount by which the liability will increase or decrease over time; however, at this time, the Company does not expect any significant changes related to these obligations within the next twelve months.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows(1):

(in millions)	**Year Ended December 31, 2010**
Beginning balance	$ 5.0
Current activity:	
Additions based on tax positions related to current year	0.1
Additions for tax positions of prior years	0.5
Reductions for tax positions of prior years	(1.1)
Settlements	—
Net, current activity	(0.5)
Ending balance	$ 4.5

(1) Unrecognized state tax benefits are not adjusted for the federal tax impact.

TSYS recognizes potential interest and penalties related to the underpayment of income taxes as income tax expense in the consolidated statements of income. Gross accrued interest and penalties on unrecognized tax benefits totaled $1.1 million and $0.7 million as of December 31, 2010 and December 31, 2009, respectively. The total amounts of unrecognized income tax benefits as of December 31, 2010 and December 31, 2009 that, if recognized, would affect the effective tax rates are $4.2 million and $4.2 million (net of the federal benefit on state tax issues), respectively, which includes interest and penalties of $1.0 million and $0.6 million, respectively.

NOTE 21 Employee Benefit Plans

The Company provides benefits to its employees by offering employees participation in certain defined contribution plans. The employee benefit plans through which TSYS provided benefits to its employees during 2010 are described as follows:

TSYS RETIREMENT SAVINGS PLAN: In 2010, all qualified plans maintained by TSYS were combined into a single plan, the Retirement Savings Plan, which is designed to reward all team members of TSYS U.S.- based companies with a uniform employer contribution. The terms of the plan provide for the Company to match 100% of the employee contribution up to 4% of eligible compensation. The Company can make discretionary contributions up to another 4% based upon business conditions.

MONEY PURCHASE PLAN: During 2009 and 2008, the Company's employees were eligible to participate in the Total System Services, Inc. (TSYS) Money Purchase Pension Plan, a defined contribution pension plan. The terms of the plan provide for