

The Pension Specialists, Ltd.

Retirement Plan Third Party Administrator



Summer, 2001

Plan Trustee News

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The Pension Specialists, Ltd.

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New Pension Law Changes

The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) was passed in May with sweeping changes in the retirement plan area. Some changes in **401(k)** plans include:

- Maximum Compensation for Contributions (currently \$170,000) has been increased to \$200,000 in 2002, increased annually by \$5,000
- Maximum Elective 401(k) Deferrals (currently \$10,500) increased to \$11,000 in 2002, increases \$1,000 per year to \$15,000 in 2006, then indexed in increments of \$500
- Maximum defined contribution plan contribution (currently lesser of \$35,000 or 25% of pay) has been increased to the lesser of **100%** of pay or **\$40,000** in 2002, then indexed in \$1,000 increments
- Catch up contribution for workers over age 50, who can defer an additional \$1,000 in 2002, increased by \$1,000 annually, to a maximum of \$5,000 in 2006

Other changes:

- Elective Deferrals will no longer be considered employer contributions for the Section 404 deduction limits
- Simplified top heavy rules
- Overall deduction limits in profit sharing plan increased from 15% to **25%**

- Rollovers can now be made between 403(b), 401(k) and 457 plans
- Distribution forms, such as joint & survivor annuity options, can be eliminated as long as a lump sum distribution is available when the distribution form is eliminated

“GUST” Restatement this year

Since 1993, Congress has passed several tax acts affecting qualified plans. Due to this legislation, plans must be rewritten entirely or “restated”. This restatement is known as the “GUST” restatement.

Many of these law changes are advantageous to employers maintaining a retirement plan. However, all retirement plans will need to incorporate the law changes into your retirement plan documents. You may also wish to redesign your plan at this time to meet your company goals.

All of our clients will receive a packet of information on the restatement process.

Restatement Expenses Paid from Plan Assets

The Department of Labor recently issued written guidelines, in Advisory Opinion 2001-01-A, as to when a company may pay expenses from retirement plan assets.

ThePensionSpecialists, Ltd Services

Consulting Services

- Design Consultation
- Feasibility Study
- Employee Survey
- Document Design
- Communication & Enrollment
- Human Resources

Administration Services

- Documentation/IRS Submission
- Participant Recordkeeping
- Compliance Testing
- Discrimination Testing
- Continued below

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ADDRESS CORRECTION REQUESTED

(Plan fees, con't)

The test to determine whether expenses can be paid from plan assets or must be paid by the plan sponsor is whether the expense is a "settlor" or a "fiduciary" expense.

If the expense is one related to design, establishment or termination of a plan, it can't be paid from plan assets, because these are considered "settlor" expenses. If the expenses are for operation of the plan, these are considered "fiduciary" and can be paid from plan assets.

This clarification is timely, because all plans must be amended in the next twelve to eighteen months to comply with current IRS language.

This opinion makes clear that necessary expenses to restate the plan for IRS compliance may be paid from plan assets.

The new tax law has some added benefits for small business owners. If your business has less than 100 employees, you will be able to take an annual tax credit of up to \$1,000 for administrative costs for the first 3 years of plan operations. The IRS will also waive their user fee for a determination letter if made during the first 5 years of plan operations, OR during the GUST remedial amendment period, if longer.

Contact The Pension Specialists, Ltd. for further information or assistance on plan fees.



ThePensionSpecialists, Ltd Services

Administration Services, con't

- Actuarial Valuation
- Government Filings
- Termination Services
- Human Resource Administration
- Payroll Administration

Communication Services

- Group Orientation Meetings
- One-on-One Enrollments
- DOL 404(c) Compliance
- Employee Booklets

About The PensionSpecialists,Ltd.

The Pension Specialists, Ltd. is an independent retirement plan administrator. Our mission is to provide the highest quality services to assist clients in reaching their objectives.

Formed in 1987, we have grown to service over 930 employer retirement plans, with services covering over 25,000 plan participants with over \$350 million of retirement plan assets. We consult with clients to implement plans

and proactively service our clients to maintain interactive communication, maximize benefits and solve problems. Our in-house staff performs all plan administration.

The Pension Specialists, Ltd. provides services to many well known companies, which include Broker Dealers, Investment Firms, CPA Firms, Law Firms, Medical Groups, Hospitals, Engineers and Retail Businesses.

For more information about The Pension Specialists, Ltd., contact us at 815.394.5500 or at 800.963-5501.

