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4676 ADMIRALTY WAY, SUITE 401
MARINA DEL REY, CALIFORNIA
90292

TELEPHONE: (310) 577-1444
FACSIMILE: (310) 577-1433

Your Qualified Plan:

Updates, News, and Ideas

GUST is Coming!

A recent survey of plan qualification failure reveals that failing to properly amend plan documents accounts for over 50% of plan failures. More, over 85% of plans that do fail to amend have less than 50 employees.

Now, the IRS mandated re-documentation of all Qualified Retirement Plans is here. At Benefit Planning we are gearing up to use this opportunity not only to comply, but also to ensure that your plan optimally meets your evolving needs.

In the next few weeks, you will be receiving a detailed letter describing our approach to GUST, and a request from us to let us know how your firm will be responding. Read the following FAQs for more...

What is GUST?

GUST is an acronym for GATT, USERRA, SBJPA, TRA '97 and the IRS Restructuring and Reform Act of 1998. These laws made numerous changes to the rules governing qualified retirement plans.

The changes require qualified plans to be amended retroactive to 1997.

When are plans required to be updated for GUST?

The Remedial Amendment Period (RAP) ends on the last day of the first plan year beginning in 2001. For example, a calendar year plan must be amended by December 31, 2001, and a plan with a plan year beginning May 1, 2001, must be amended by April 30, 2002.

What are the IRS user fees for obtaining a determination letter?

The IRS user fee to approve a volume submitter plan document varies depending upon the scope of the determination letter being requested. Generally the IRS user fee is \$125. However, if a determination letter is requested for a review of a complex design (e.g., such as for a cross-tested plan), then the user fee is \$1,000.

Must my company completely redo its plan document?

The non-amendment of plan documents is by far the largest reason for plan audit penalties and plan disqualification. The IRS strongly enforces these document requirements.

Pension Law Changes:

The Good News?

Potentially there will be a landmark retirement plan bill passed very soon. A current bill has passed overwhelmingly in both the House and Senate and is receiving expedited procedural treatment. Clinton has not threatened a veto as he has done to the last few years' pension bills.

Some key provisions are: the raising of the 401(k) limit to \$15,000, easing up top-heavy regulation, raising the compensation limit from \$170,000 to \$230,000, and increasing the maximum defined benefit limits, among many others. Generally, the bill is very favorable to small and medium business retirement plans, encouraging both the retention and implementation of employee benefit retirement plans.

The Bad News? According to key spokespeople from the IRS, regulations will soon be coming regarding "new comparability" plans. Some modifications will almost certainly be coming, but the extent remains unknown. Importantly, any regulations will most likely not apply until 2002. And most importantly, it seems clear that there is no plan to "kill" new comparability. We are watching this issue very closely.

401(k) Testing: It's Not Too Early!

It's not too early to think about your firm's passing of key tests for this year. 401(k) testing done early can prevent refund problems. And, if you posted the "Safe Harbor Notice" sent to you in April, we may consider using a fully vested contribution to pass the 401(k) tests. Contact us if you need more help.

Did you know?

... nearly 1,000,000 plans file 5500s: 77,000 Defined Benefit; 620,000 Profit Sharing; 180,000 Money Purchase; (the rest are "other"). 14,000 were audited in 1999.

Defined Benefit Plans On The Rise

Important law changes have made Defined Benefit Plans available and viable to a lot more of our clients. If you are interested in dramatically increasing your deductible contributions, contact us to learn more.

Benefit Planning, Inc.
4676 Admiralty Way #401
Marina del Rey, CA 90292

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