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Your Qualified Plan:

Updates, News, and Ideas

EGTRRA: Implementing Key Provisions

Reminder...

Last month we sent most of you the Model EGTRRA Amendment. Please make sure to return the executed signature page (only), if you haven't done so already.

Money Purchase Pension Plans

One result of EGTRRA is that Money Purchase Pension (MP) Plans rarely continue to be optimal for most plan sponsors.

In the past, the higher deductions offered by MP plans offset the lack of flexibility that the required "pension" contribution involved. Now Profit Sharing Plans have the same 25% deduction limit, so there is little reason to continue these MP plans in their present form.

In light of this we have been working to either 1) convert your existing MP plan to a Profit Sharing Plan; or 2) if you currently have two plans, we have been merging the MP plan into the Profit Sharing Plan.

If you have questions regarding the conversion or merger of your Money Purchase Pension Plan, please don't hesitate to call.

Catch-up Contributions

In August we sent our 401(k) Plan clients information to assist Participants increase their employee deferrals.

With the removal of deferral percentage limits, coupled with Catch-up contributions, now participants can contribute more than ever. Participant communication helps increase the perceived value of benefits programs and ensures compliance with applicable rules.

If you have questions regarding EGTRRA and your 401(k), let us know.

Should you add 401(k) Provisions?

With all the enhancements and changes, it is a good idea to review whether you should add the option of Employee Deferrals to your plan.

Often, even single participant plans can benefit. Sometimes it now makes sense to make a spouse an employee. Remember, an employee can defer up to 100% of income! Adding 401(k) provisions may be key to helping you reach your tax saving and retirement goals.

Section 125 Plans: 5500s often not required

One important law change that impacts some of our clients is the elimination of the Form 5500 for Section 125 (Cafeteria) Plans. Only employers with over 100 participants need to continue to file.

As a result, we were able to significantly reduce the expense of maintaining this important benefit plan for many of our Cafeteria Plan clients.

Many clients now may wish to consider implementing a Cafeteria plan. You can allow employees to use pre-tax dollars to help defray increased health care costs and even pay for certain child daycare. These programs are more and more considered to be a standard benefit.

Let us know if we can help.

The “Enron” Pension Reform Bill and You

The retirement plan fallout of the Enron debacle comes as the Sarbanes-Oxley Pension reform law. However, most of our clients are not affected by the pension provisions in this law.

This law, among other things, requires that Plan Sponsors give 30 day notice prior to any “blackout period”. A blackout period occurs when participants are unable to trade their individually directed accounts. This often occurs when retirement plans change investment service providers.

The new rule is applicable beginning January 2003. So, we expect that only new clients coming to us after that date, or existing clients who choose to change where their individually directed accounts are invested will be required to do anything at all.

E-Update

To remind, the following forms, etc. are available online at www.BenefitPlanning.LA :

- IRS Savers Credit Notice*
- EGTRRA Information Sheet*
- Distribution Request Form*
- Loan Request Form*
- Beneficiary Designation*
- Deferral Percentage Change Request*
- Rollover Application (to roll money into your plan)*
- Census Spreadsheet*

These forms have been recently updated to allow you to complete them online and then print the completed form.

E-Data

The verdict is in... clients who utilize our suggestions for electronic data save time and money. Some clients have been taking advantage for over two years now...have you fully explored all our electronic opportunities?

