

BENEFIT PLANNING INC.

3rd Quarter, 2003

**Remember the GUST deadline:
September 30, 2003**

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Your Qualified Plan:

Updates, News, and Ideas

Employee Education: the next Expectation

Not so long ago, Participant Directed accounts were a new thing; now they are almost an expectation. The next expectation could very well be Investment Education and Advice.

Many studies decry the poor ability of most Participants to appropriately allocate their retirement investments. In response to this felt need, many investment firms are focusing attention on both the initial and the ongoing education of the Participant.

And Participants respond extraordinarily well. Here at Benefit Planning, Inc. we find that good communication is key in improving participation rates and participant satisfaction with their employee benefits. At any one of these "success stories", it is hard to imagine the client returning to the "dark ages".

Education takes many forms. You accomplish much via newsletters and even the Account Statement that the Participant receives.

But most employers look to the enrollment meeting (or re-enrollment meeting) as the prime education vehicle.

There are plenty of resources available. If you wish to "do it yourself", the internet has (maybe too many!) links that will encourage Participant involvement.

Of course, here at Benefit Planning, Inc. we pride ourselves on effective communication. We would be pleased to assist in every way.

Action steps for you may include:

- Schedule a re-enrollment meeting
- Perform an annual review on investment funds available in your plan
- Request an investment policy statement review from Benefit Planning, Inc.

Remember, Benefit Planning, Inc. welcomes the opportunity to help (that's why we're writing about it!).

**The "GUST" deadline is
September 30, 2003**

Please do pay attention to correspondence from us on this matter. Your timely response could be critical.

Cash Basis for Form 5500

IMPORTANT NOTICE TO OUR CLIENTS:

Historically, on plans that allowed the choice of the use of cash or accrual accounting methods Benefit Planning, Inc. has applied a uniform policy of using the accrual method.

We have determined that for a large number of our clients it would be advantageous to switch to a cash basis.

Cash basis means contributions will be reported in the year they are made, not the year they apply to. For example, a 2002 calendar year plan makes a contribution in September 2003 for the 2002 year. Going forward, this contribution will be reported on the 2003 Form 5500, not the 2002 Form 5500.

The reason this is clever is that cash basis plans can accurately file a Form 5500 prior to the final determination of the contribution amount. Thus, the Form 5500 filing can be prepared and filed with less risk of a late filing.

Importantly, you don't need to do anything. We just wanted to let you know of this policy enhancement as we implement it.

Pension Bill Now in Congress

Who says that people aren't passionate about retirement plans! You have likely heard of the recent brouhaha in Congress when the Capitol Police were called in to force action on a bill. Well, that was all about retirement plans!

The substance of the bill is considered favorable by our industry. In the main it contains accelerations of increases in contribution limits.

So, for example, the 401(k) contribution limit would be immediately increased to \$15,000, and the "catch up" limit to \$5,000. This is already scheduled to happen in 2006, but many in Congress view early implementation a good thing. We'll keep you posted!

Plan Fees: When Can the Employer "delegate" fees?

Many Employers sometimes have questions about who is allowed to pay certain administrative fees for their plans. It is important to remember that with just a few exceptions, fees charged by Benefit Planning, Inc. can be paid for by the Plan.

But for some types of fees many of our clients feel it is improper to charge the Employer or the Plan. For instance, it is normal for Participant Loan fees to be paid directly by the Participant.

The Department of Labor has issued guidance that expands this notion of proper allocation of expenses.

Most significantly, the expense of QDRO determination and distribution had been understood as an expense that the Employer or Plan must bear. *Now, the DOL has stated clearly that the Participant can be required to pay this fee.* Importantly, a policy change of this type must be noted in the Summary Plan Description. Please let us know if you'd like to implement this.

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