

4th Quarter, 2000

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Your Qualified Plan:

Updates, News, and Ideas

New Limits are Good News!

The IRS has released new limits that significantly impact Qualified Plans.

Type of Limitation	2001	2000
401(k) Elective Deferrals	\$10,500	\$10,500
Max Defined Benefit	\$140,000	\$135,000
Max Defined Contribution	\$35,000	\$30,000
Annual Compensation Limit	\$170,000	\$170,000
Highly Compensated (\$80,000 index)	\$85,000	\$85,000
Income Subject to Social Security Tax	\$80,400	\$76,200

While the 401(k) Deferral limit remains at \$10,500, increases in two other important limit increases offer significant opportunities.

The Defined Contribution limit has increased from \$30,000 to \$35,000. This limit has been virtually frozen for years, and the increase significantly improves the results of both Money Purchase Pension and Profit Sharing Plans.

The maximum Defined Benefit Limit increase from \$135,000 to \$140,000 is most helpful to established plans. The increase may afford the opportunity to make a “make

up” contribution, or to absorb “overfunded” benefits.

Benefit Planning, Inc. is constantly surveying design options to optimize your Plan. Contact us if your circumstances warrant re-evaluating how your plan is working for you.

“New Comparability” Proposed Regulations

The Treasury Department has issued proposed regulations that affect tiered allocation (new comparability) plans. The application of rule changes won’t happen until 2002. The most significant change is the proposed increase in the minimum contribution from 3% to 5% of compensation. While this somewhat diminishes the results for some clients, many clients contribute 5% or more presently to pass IRS tests.

The bottom line is that after intense scrutiny, tiered allocation plans still provide enhanced benefits to key people and remain an excellent incentive for small to medium firms to establish and maintain retirement plans.

GUST Restatement – Full Speed Ahead!

We are preparing for the IRS required re-documentation process. Each plan will be carefully analyzed to ensure that all applicable “operational compliance” and plan design aspects are integrated into your new plan document. We have set up a multi-level review system that mandates that each Plan be reviewed by at least three administrative, actuarial or legal staff prior to document preparation.

Soon we will be sending you a complete new document along with the appropriate IRS Request for Favorable Determination Letter.

New 5500 Forms

The DOL and IRS have released information copies of the Form 5500, schedules and instructions to be used by employee benefit plans for reporting on the 2000 plan year.

According to the DOL press release, the 2000 Form 5500 is essentially unchanged from 1999. The Form 5500 Instructions also include a new list of processing tips that Benefit Planning, Inc. has implemented. This early release should enable software vendors to quickly update forms and help avoid the extensive delay of last year.

Pension Reform Bill

At the end of last year a bill with some very favorable aspects for Qualified Plans made a good run at getting passed. The bill had extremely wide bipartisan support. Key features were the increase in the 401(k) limit and an increase in the Defined Contribution limit to \$45,000. The bill failed when President Clinton promised to veto based on unrelated riders.

Given the likelihood of a tax cut bill this year, and given the wide base of support for the pension bill last year, there is a good chance that a pro-business bill could come out of Congress.

E-Update

Benefit Planning, Inc. continues its efforts to achieve all the potential of the Internet. Our Web site redesign will streamline your ability to receive documents, forms and templates. Right now you can get important request forms, change your beneficiary or change your deferral percentage online at www.BenPlanInc.com.

New is our desire to receive employee data in electronic form. To this end we have an Excel template that you can download, input, and email back to us. The idea is to save effort on your part by allowing the use of your existing computerized employee data, and in turn to save Benefit Planning from having to re-input that same data.

Soon coming will be our ability to deliver the new Summary Plan Description for your Plan electronically. The Dept. of Labor has stated that electronic posting complies, and the savings in time and paper will be significant.

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ADDRESS CORRECTION REQUESTED