

2003 JF Actuarial DV Newsletter

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- Annual Contribution Calculations
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New for 2003

JF Newsletter

In an effort to keep our clients informed, we will be printing an annual newsletter with changes, updates, and general information. We hope that you find this beneficial, and we would appreciate any questions or comments you may have. You can also access this newsletter and other mailers you receive on our website: www.JFActuarial.com

Final Loan Regulations

No big changes. Highlights:

- Payments may be suspended during bona fide leaves of absence of one year or less. Longer suspensions are allowed for military leaves. Interest accrues during leaves, so a new amortization schedule must be set up.
- If e-mail is used, participant may

request written materials at no charge.

- Multiple loans are allowed.
- Refinancing cannot extend term of original loan.

70.5 Minimum Distributions

The Table for determining minimum distributions for participants over 70.5 has changed for plan years beginning in 2003. For more information on this, or for a copy of the chart, please contact JF

2003 Limits

Annual Compensation:	\$200,000
401(k) Deferral Limit:	\$12,000
401(k) Catch-Up Limit:	\$2,000
SS Taxable Wage Base:	\$87,000
415 Limit:	\$40,000

GUST and EGTRRA Restatements

As most of you already know, all Plan documents must be restated for GUST and EGTRRA. If you are being restated with the JF Prototype or Volume Submitter plans, the deadline for this restatement is September 30, 2003. If you are being restated by another firm, you should contact that firm and inquire about the deadline for your Plan's restatement.

The restatements will provide for many new provisions in all plans,

including Catch-up Contributions and the shortened Employer Matching vesting schedule that some of you may already be aware of.

JF is continuously working on these restatements. We ask that upon receipt of the first draft of your restated adoption agreement, you promptly review it and inform JF of any changes you would like to make. Even if no changes are necessary at this point, the document must be finalized as soon

as possible. This will ensure that JF has adequate time to complete all restatements.

Once you have informed JF of any changes, we will forward you a final adoption agreement for the Trustees to sign, the boilerplate provisions of the Plan Document, and an SPD. The revised SPD must be provided to all participants of the plan, including any terminated participants with a vested interest still held by the Plan.



Gail Johnson – Actuary
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- Cross-tested Contribution Calcs
- Investment Questions
- Prospective Clients



Barbara Johnson – DV Supervisor
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- Exchanges/Transfers
- Hardship/In-Service Withdrawals
- Loans



Sharon Kress – DV Manager
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- Compliance Testing
- Tax Reporting
- All other Contribution Calcs
- Plan Documents
- General Questions



Laura Johnson – Pension Administrator
LJohnson@JFActuarial.com

- Contribution Processing
- Enrollment Materials
- New Hires
- Participant Changes/Updates
- Incoming Rollovers

Annual Contribution Calculations

At the end of each Plan Year, any annual contributions to the plan must be calculated. The best way to do this is for you to send JF the annual census in a timely fashion and inform us of the contribution amount you would like to make to the Plan.

Once JF receives the census and is informed of

the amount of the allocation, JF will allocate the contribution to each participant based on how the Plan Document is written.

A Note about Nondiscrimination Requirements:

It is important that JF does the calculation as you may not be aware of certain nondiscrimination testing

issues that may come up during the calculation.

A Note on Forfeitures:

It is also important that any forfeitures available in the Plan are allocated in accordance with the Plan Document. Again, you may not know the proper way to allocate forfeitures or the exact amount of forfeitures to include without consulting JF.

Administering Terminations

Termination Procedure:

When a participant leaves your firm and has a vested balance, the first thing you should do is contact JF with the following information:

- Participant Name
- Last Day of Employment
- Current Address
- Last Payroll Date

After the last contribution has been deposited and cleared, JF will send a "Termination Package" which will include the following:

- Year-to-Date Statement
- Notice of Termination Benefits
- Election of Direct Rollover for Qualifying Distributions
- Special Tax Notice Regarding Plan Payments

The Plan Administrator will receive a copy of this package when it is sent.

When the completed forms are returned to our office, JF will move the participant's funds into the Plan's money market fund, so that all necessary checks can be written.

You will receive a letter of instruction which will include all check amounts, how the checks should be made payable, and mailing addresses. You will also receive the forms that were returned to JF with the original participant signatures.

In order to comply with the Plan, and avoid possible lawsuits from ex-employees, it is important that the checks are written promptly once the letter of instruction is received.

Please provide JF with copies of all checks, and a copy of the Notice of Termination Benefits signed by the Plan Administrator.

A Note on Federal Withholding:

All 8109 coupons that are mailed to the IRS with federal withholding checks must be completed with the Trust EIN. If you do not have a book of 8109s with the Trust EIN pre-printed on them or if you are almost out of coupons, please contact JF and a coupon book will be ordered for you.

Don't forget – the type of tax is always 945!

A Note on Mutual Fund Checks:

If you do not have a checkbook for your Plan's Money Market Fund or you are almost out of checks, please contact JF and more checks will be ordered for you.

Wiring Contributions

Wiring Contributions may be beneficial to firms that want to minimize the time deferred contributions are out of the market.

The procedure for wiring contributions is as follows:

1. Provide JF with the employee data/contribution information by 2 p.m. Eastern time on the business day PRIOR to the day you intend to send the wire. It is necessary to confirm the date you are going to

wire the funds when you send JF the employee information.

2. Wire the money on the EXACT day specified, so that it is received by the Mutual Fund company before 4 p.m. Eastern time.

Important Note: JF must know the EXACT day the wire will be received by the Mutual Fund company in order for us to provide the necessary fund breakdown to them.

By following these steps you will allow JF to process your contribution in the most timely and accurate manner possible, as it will minimize the manual entry required for JF to process contributions by check.

If you are not currently wiring the funds for the Plan's contributions, but are interested, please contact JF for specific wiring instructions.

As always, do not hesitate to call JF if you have any questions or concerns with this procedure.



Karen West – DV Specialist
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Jennifer Brozenske – DV Technician
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- Billing
- New Clients
- Quarterly Statements
- Terminations/Distributions

Ex-Employees and Contributions

401(k) Deferred Contributions:

Many of you offer severance packages when an employee leaves your employ.

Important Note: Severance pay is not eligible compensation when determining a participant's 401(k) deferrals.

You also must take into consideration that the final check date may be after the participant's last day of employment. In this instance, the pay that the participant earned while still in the firm's employ

would be eligible for 401(k) contributions. However, if the final paycheck includes any pay that is not based on hours worked, this portion of the payroll would not be eligible for 401(k) contributions.

Annual Contributions:

After a participant leaves your firm they may be eligible for part of the annual contribution. If this is a foreseeable event, the ideal situation would be to hold off on disbursing the funds on behalf of the participant until all their contributions have been deposited.

Making only one distribution for a participant avoids a variety of complications:

- *Minimum amounts of checks imposed by Mutual Fund companies*
- *Multiple IRS payments and 8109s*
- *Loss of contact with the participant*
- *Original instructions specified an IRA or Plan that is no longer in existence*

If delaying the distribution is a problem, or an unforeseeable event, JF will be required to make two distributions to the participant.



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Lisa Feyh – Administrative Assistant
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FAQ



Q. What should be included in an enrollment package?

- A. "Make Your Future Measure Up" folder
Fact Sheets for each investment available in the Plan
Enrollment Form
SPD (Summary Plan Description) including all SMMs (Summary of Material Modifications)
Optional – Plan Specifications

Q. How do we add new funds to our Plan?

- A. Fidelity and Schwab Account Holders:
Contact JF with the funds you would like to add. JF will then add the funds through an electronic link with these Fund companies.
All other Account Holders:
The first thing to do is contact JF with the funds you would like to add. JF will then prepare a letter of instruction to add the funds to your account, which a Trustee will have to sign. Once the letter has been completed with a Trustee signature, you will FAX the letter to JF, and the letter will be forwarded to the appropriate place.

Q. Why do we need a Trust EIN for our Plan?

- A. IRS forms SS-4, 5500 (Schedule P), 5500 (Schedule R), 1096, 1099-R, 945, and 8109 all anticipate the use of a separate trust EIN for a qualified retirement plan. Virtually all reputable practitioners, and IRS, recommend obtaining a separate trust EIN for a plan, as we do. This usually makes electronic transmittal of tax withholding on plan distributions unnecessary (a procedure that requires a separate checking account for the plan), avoids confusing plan assets with corporate assets for tax purposes, and avoids potential mis-application of withholding on plan distributions to employee payroll, and vice versa. This is a relatively painless procedure that we complete for you at no extra cost.

Q. How do we change the Trustees for our Plan?

- A. Contact JF with the names of the new Trustees. At that point, JF will prepare and forward the following paperwork to facilitate the change:
1. An amendment to your plan document.
 2. SMM which is an addendum to your SPD. This should be provided to all participants of the plan, included terminated employees with a vested balance, in order to inform them of the change in Trustees.
 3. A new Checkwriting Card and Corporate Resolution which, once signed by the new Trustees, will be forwarded to the mutual fund company that holds the accounts for the Plan.