

### IRS Gives 9 Month Extension to Remedial Amendment Period

On November 19, 2002, the Internal Revenue Service (IRS) released Revenue Procedure 2002-73, announcing the much anticipated extension of the period for making various amendments to qualified retirement plans. In response to requests from sponsors of pre-approved plans, the IRS extends the time for amending plans to comply with GUST, EGTRRA, Code §417(e), Revenue Ruling 2002-27 and §314(e) of the Community Renewal Tax Relief Act of 2000. Many of our clients have already complied with the required amendments/restatements and we will continue to complete the work necessary to ensure that all required document changes are in place by September 30, 2003.



### Announcing New Method for Delivery of 1099-R forms

Effective with the 2002 reporting year, we will be outsourcing the production of 1099-R and associated forms for all plans required to generate these forms. Forms will be mailed directly to participants/former participants and filed directly with the IRS and (if applicable) state revenue department. (There will be no change for our clients who are on daily accounting platforms and who are already accustomed to direct mailing/filing of 1099-R forms.) We are providing this added service at no *additional* cost.



### DON'T FORGET SPONSOR TAX CREDIT

Beginning in 2002, small businesses with 100 employees or less will be eligible for an annual tax credit of 50 percent on up to \$1,000 of administrative costs for the first three years of a new plan (plans established after 2001). The credit is available only if at least one non-highly compensated employee is participating.



We are pleased to announce the hiring of a new Plan Administrator: **Michael R. Lamarca** joined PPP in 2002, from Conrad M. Siegel, Inc. He holds a Bachelors Degree from Lebanon Valley College in Insurance Mathematics with a concentration in Actuarial Mathematics. Mike is currently working toward the Qualified Pension Administrator designation through the American Society of Pension Actuaries.

## **New Credit for Contributions to Retirement Plans and IRAs (Saver's Credit)**

Beginning in 2002, if you make eligible contributions to an employer-sponsored retirement plan or to an individual retirement arrangement (IRA), you may be able to take a tax credit of up to \$1,000. The actual amount of the saver's credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%, depending on your adjusted gross income. The lower your income, the higher the credit rate. Your credit rate also depends on your filing status.

Plan sponsors should be certain to notify employees who may benefit from this credit. We have a sample notice you can download for printing and distribution from our website at:

<http://www.papensionplanners.com/news/>



*The rules governing the deposit of 401(k) deferrals are found in the Dept. of Labor (DOL) ERISA regulations. Those rules state that deferrals must be deposited in the plan on the earliest date on which the contributions can reasonably be segregated from the employer's general assets, but in no event later than the 15<sup>th</sup> business day of the month following the month in which the deferrals were withheld from wages.*

*Because of the 15-day outer deadline, many employers assume that is the rule. As we have written before in this newsletter, the Dept. of Labor, upon examination of plan activities in an audit, is more likely to focus on when deferrals could reasonably have been put in the trust - typically within days of the payroll date. Accordingly, if 401(k) deferrals are not being deposited in the plan within 5-10 days of each pay date, your company may be violating ERISA's fiduciary and prohibited transaction rules.*

*We urge you to review your current 401(k) deposit procedures to ensure compliance with the law.*

HAVING TROUBLE LOCATING MISSING PLAN PARTICIPANTS?

Social Security Administration (SSA) & Internal Revenue Service (IRS) Programs:

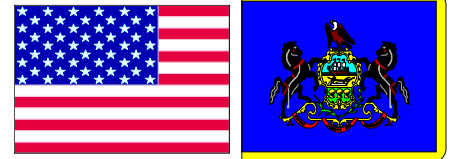
Both the SSA & IRS offer programs to assist plan sponsors in forwarding notices to lost participants. Services available are limited to forwarding letters that serve a "benevolent" purpose, such as advising participants of plan benefits. However, neither agency will confirm to the plan sponsor that the participant has received the notice, nor will they provide the participant's address to the plan sponsor in the event they can identify a current address for the participant. We would be glad to provide details on either program at your request.

Investment Policy Statement/Plan Funding Policy

An Investment Policy Statement is a written document outlining the process for a plan's investment-related decision making. Its purpose is to describe formally how investment decisions are related to a plan's goals and objectives, as well as the plan's strategic vision for plan investment. Fiduciaries who have not documented their procedures in a written investment policy statement and who have not documented their implementation of investment-related decisions may render themselves vulnerable to legal action either from disgruntled plan participants or the Department of Labor. Further, a well-constructed investment policy statement provides evidence that a clear process and methodology exists for selecting and monitoring plan investments.

The following items should be addressed in an investment policy statement:

- The purpose of the plan
- The purpose of the investment policy statement
- The Plan's investment objectives
- Roles and responsibilities of parties involved in investment decisions
- Investment and manager selection
- Investment monitoring and reporting
- Participant investment education
- Investment policy statement amendment process



PPP, Inc. is a member of the American Society of Pension Actuaries (ASPA). ASPA Mission statement:

The purpose of the American Society of Pension Actuaries is to educate pension actuaries, consultants, administrators and other benefits professionals, and to preserve and enhance the private pension system as part of the development of a cohesive and coherent national retirement income policy.

ASPA members are retirement plan professionals in a highly diversified, technical, and regulated industry. ASPA is made up of individuals who have chosen to be among the most dedicated practicing in the profession, and who view retirement plan work as a career.



**MAXIMUM DOLLAR LIMITS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
401(k) Elective Deferrals	\$10,500	\$10,500	\$11,000	\$12,000
Catch-up Contributions	N/A	N/A	1,000	2,000
Defined Benefit Plans	135,000	140,000	160,000	160,000
Defined Contribution Plans	30,000	35,000	40,000	40,000
Annual Compensation Limit	170,000	170,000	200,000	200,000
Highly Compensated Employee	85,000	85,000	90,000	90,000
SIMPLE Retirement Accounts	6,000	6,500	7,000	8,000
SEP Coverage	450	450	450	450
SEP Compensation	170,000	170,000	200,000	200,000
In addition:				
Social Security Wage Base	76,200	80,400	84,900	87,000

