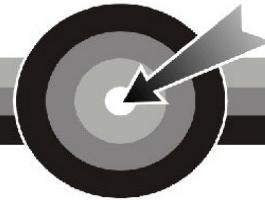


The Pension Specialists, Ltd.

Retirement Plan Third Party Administrator



Winter, 2002

Plan Trustee News

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The Pension Specialists, Ltd.

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*Separate, unaffiliated corporation

Small Plan Audits for Plan Years ending after 4/17/02

The Department of Labor announced that an audit by an independent public accountant might now be required for small plans with less than 100 participants unless certain requirements are met. In the past, only plans with over 100 participants were required to have an annual audit that is attached to the Form 5500, filed each year.

Requirements of exemption from small plan audit:

1. At least 95% of plan assets must be "qualifying plan assets" (defined below)
2. Summary Annual Report (SAR), required to be provided to plan participants each year, includes additional information (see below)
3. The plan sponsor makes available for examination, or furnishes copies, free of charge, to any participant or beneficiary who requests a statement from any regulated financial institution or evidence of any bond required by this regulation.

Qualifying Plan Assets

- Qualifying employer securities
- Participant loans
- Assets held by banks, insurance companies, registered broker-dealers, shares issued by a registered investment company
- Investment and annuity contracts issued by an insurance company
- Assets in a self-directed brokerage account where annual statements are issued
- Note that investments such as limited partnerships and real estate

do not constitute "Qualifying Plan Assets"

Additional SAR Information

The SAR must state that the plan is electing the waiver of audit, and include:

- Name of each institution holding "qualifying plan assets" and the amount
- Name of surety company issuing the bond
- Notice indicating that participants and beneficiaries may examine or receive without charge evidence of the required bond, and statements from each institution holding qualifying assets that describe the assets, and
- Notice stating that participants and beneficiaries should contact the Regional Office of the Department of Labor's Pension and Welfare Benefits Administration if they are unable to examine or obtain copies of statements received from each institution holding qualifying assets, or evidence of the required bond, if applicable.

What are surety bond requirements?

- An ERISA fidelity bond, SEPARATE from fiduciary insurance.
- Named insured must be the Plan, NOT the company or plan sponsor
- Amount of coverage must be at least 10% of the value of plan assets as of the beginning of the plan year
- No deductible can be applied to payment of any claims under the policy; coverage must be for 100% of the amount of the claim

ThePensionSpecialists, Ltd Services

Consulting Services

- Design Consultation
- Feasibility Study
- Employee Survey
- Document Design
- Communication & Enrollment
- Human Resources

Administration Services

- Documentation/IRS Submission
- Participant Recordkeeping
- Compliance Testing
- Discrimination Testing
- *Continued below*

“Catch-Up Contributions” New in 2002

Beginning in 2002, recent law changes allow the plan participants in your 401(k) plan who are age 50 and over in 2002 to defer an additional \$1,000. This ‘catch-up contribution’ does not count into the maximum deferral limit, or the non-discrimination testing of the 401(k) plan.

From Our Clients:

We recently received this complimentary note from a client:

‘I find it rare these days to find the great customer service like that which I received. (It’s even becoming rare just to find halfway-decent customer service!) That’s why I think it’s remarkable to speak with two people within one company and have them each individually go so far out of their way for you. Mike and Nicole’s efforts were very impressive and I feel they deserve acknowledgement for it. You have some great people working for you!’

Contact The Pension Specialists, Ltd. for further information.

The PensionSpecialists, Ltd.

3923 E. State Street, PO Box 4247

Rockford, IL 61108-0747

ADDRESS CORRECTION REQUESTED

About The PensionSpecialists,Ltd.

The Pension Specialists, Ltd. is an independent retirement plan administrator. Our mission is to provide the highest quality services to assist clients in reaching their objectives

Formed in 1987, we have grown to service over 930 employer retirement plans, with services covering over 25,000 plan participants with over \$350 million of retirement plan assets. We consult with clients to implement plans

Formed in 1987, we have and proactively service our clients to maintain interactive communication, maximize benefits and solve problems. Our in-house staff performs all plan administration.

The Pension Specialists, Ltd. provides services to many well known companies, which include Broker Dealers, Investment Firms, CPA Firms, Law Firms, Medical Groups, Hospitals, Engineers and Retail Businesses.

For more information about The Pension Specialists, Ltd., contact us at 815.394.5500 or at 800.963-5501.

ThePensionSpecialists, Ltd Services

Administration Services, con’t

- Actuarial Valuation
- Government Filings
- Termination Services
- Human Resource Administration
- Payroll Administration

Communication Services

- Group Orientation Meetings
- One-on-One Enrollments
- DOL 404(c) Compliance
- Employee Booklets

