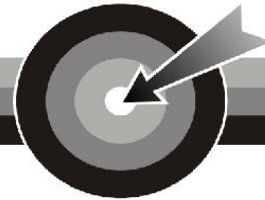


The Pension Specialists, Ltd.

Retirement Plan Third Party Administrator



Fall, 2003

Plan Trustee News

- 1 How to Avoid A Small Plan Audit
- 2 2004 Annual Plan Limits
- 3 Our Website
- 4 About The Pension Specialists, Ltd.

The Pension Specialists, Ltd.

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How to Avoid Small Plan Audits With Your Annual 5500

The Department of Labor regulations now require an audit by an independent public accountant for small plans with less than 100 participants unless your plan meets certain requirements.

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. Beginning in 2002, however, an audit may also be necessary for a small plan. A question has been added to the Form 5500 that your plan must file annually with the DOL regarding these audit requirements.

Requirements of exemption from small plan audit:

Two conditions must be met in order to be exempt from the plan audit:

1. At least 95% of plan assets must be “qualifying plan assets”(defined below) OR an ERISA supplemental bond requirement equal to the amount of the NON-qualifying assets, AND
2. Summary Annual Report(SAR), required to be provided to plan participants each year, must include additional information (see below)

What are examples of “Qualifying Plan Assets”?

- Marketable employer securities
- Participant loans
- Assets held by banks, insurance companies, registered broker-dealers, shares issues 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
- Investments such as **limited partnerships, closely held stocks and real estate** are NOT “Qualifying Plan Assets”

If your plan has more than 5% “non-qualifying plan assets”, you may still be able to qualify for an exemption from audit by obtaining additional surety bonding.

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

Fall, 2003

- Named insured must be a person who handles non-qualifying plan assets
- Amount of coverage must be at least 10% of the value of total plan assets OR 100% of non-qualifying plan assets, whichever is greater, 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
- You may want to review these surety bond requirements prior to the end of your plan year. You can obtain a quote through our website, www.pensioninsider.com/BE030002.html

Plans that include only owner and spouse are excluded from this audit.

2004 Annual Plan Limits

The 2004 plan limits were recently announced. Some of these annual limit increases are:

- Maximum plan limit increased to \$41,000
- Maximum 401k or 403b deferral increased to \$13,000
- Over age 50 "catch up" contributions increased to \$3,000
- Annual compensation limit increased to \$205,000

Our Website

Our new website is now up and running. You can get forms and other information, including copies of past newsletters at www.pensioninsider.com.

Contact The Pension Specialists, Ltd. for further information on any of these topics.



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ADDRESS CORRECTION REQUESTED



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**

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 800 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.

We 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 800.963-5501 or by email at info@pensioninsider.com.

