Swerdlin & Company
Actuaries ■ Employee Benefit Consultants

The Swerdlin Quarterly

Volume 5 ■ Number 2 2nd Quarter 1999

Dorn's Corner

This quarter I want to recognize with appreciation the Swerdlin Community. We have an exceptional group of people who, through their dedication and commitment to Swerdlin, have played a significant role in the record growth we have experienced the past three years.

As you know, each year we set out our declaration of focus for that year. 1999 is the Year of Trust and I value the trust I have in our staff to support me in my efforts to build this company.

In line with this, I am proud to announce our Individual Excellence Awards which are awarded quarterly. All Swerdlin employees participate in the nomination process. Each person making a nomination chooses among five categories which correspond to our recent annual declarations: Affluence, Community, Consultant, Training & Development, and Trust. We were very proud to give awards in the Training and Development and Affluence categories for the first quarter.

As an additional way to show appreciation for our employees' hard work, we held our first annual Fun Day on May 21st.

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The Seven Deadly Sins

The IRS has identified seven of the most commonly made mistakes by retirement plan sponsors.

1 Not providing the minimum top-heavy benefits to non-key employees. If 60% or more of the total benefits in your plan (or all plans if more than one) belong to key employees, then a minimum contribution and accelerated vesting may be required for all employees.

2 Not passing the 401(k) tests. The deferrals made by owners and other highly compensated employees to a 401(k) plan are limited by the average deferrals of the other employees. Similar limits are in place for employer matching contributions.

3 Not returning excess deferrals. In 1999, employees may defer $10,000. Any excesses must be distributed by April 15, 2000.

4 Not including eligible employees. Your document states who is eligible to participate in the plan. This definition applies to all categories of employees. Be aware that corporate mergers and acquisitions may force you to include employees you did not intend to cover.

5 Not paying minimum distributions to employees who are over age 70½. Although non-owners can elect to wait until retirement to begin taking minimum distributions from their plans, owners must begin receiving minimum distributions upon reaching age 70½.

6 Failing to obtain employee and/or spousal consent for a distribution. If a participant's benefit exceeds $5,000, you must obtain his/her consent, and in many cases, the consent of his/her spouse as well.

7 Exceeding maximum contribution limits in defined contribution plans. Participants cannot receive more than 25% of pay and at

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Our Client of the Quarter

CONSUMER CREDIT COUNSELING SERVICE

We are proud to present Consumer Credit Counseling Service of Atlanta (CCCS), our featured client for the quarter. We provide administration for their 403(b) and profit sharing plans.

CCCS/Atlanta has been helping North Georgians with personal finances since 1964.

What does CCCS do?

CCCS is a nonprofit, community service organization that provides free credit counseling and offers debt repayment plans for consumers who are overextended. CCCS negotiates with creditors to reduce or eliminate interest charges for clients who repay their creditors through Debt Repayment Plans.

What does a CCCS counseling session involve?

CCCS telephone counseling services are offered seven days a week and can be scheduled by calling. During the free appointment, a certified credit counselor will review income, spending habits, and debt responsibilities of the consumer. The session is confidential and nonjudgmental. If the consumer has a substantial amount of debt related to credit card spending, CCCS can set up a Debt Repayment Plan to help repay creditors in a timely manner and become debt-free over a 36 to 40 month period, on average.

Why work with CCCS on a Debt Repayment Plan?

CCCS is a member of the National Foundation for Consumer Credit which operates over 1,500 offices nationwide. They are able to negotiate reduced interest rates with major creditors for their clients participating in Debt Repayment Plans. This means a consumer can usually get out of debt quicker with a CCCS plan.

CCCS is headquartered in Atlanta and has offices in Athens, Carrollton, Decatur, Douglasville, Fayetteville, Gainesville, Marietta, Norcross, Rome, Toccoa and throughout the metropolitan area. For more information, call 1-800-251-CCCS or visit their website at www.cccsatl.org.

Just because you’re past due, doesn’t mean you’re past hope.

CCCS graduate, Jim Collica, works in computer operations and lives in Norcross, Georgia.

“At the very beginning -- when I first started using credit cards in college -- I used to pay off my balance every month. Pretty soon, I was making the minimum monthly payments -- it didn’t seem like there was a problem. But it progressed to the point where I just had too much credit -- and too many credit cards.

“I struggled for a few years but I couldn’t make a dent in my overall balances. I tried transferring balances between cards -- finally I could no longer pay my bills on time -- the creditors started calling -- and I knew that I needed help.

“It’s been three years since I started working with CCCS and I’ll be completing my Debt Repayment Plan sometime this spring. CCCS has had a huge impact on my life. My wife and I now have money in savings and we’re both investing in our 401(k) plans at work.”

Are You Filing All Your Form 5500s?

Most employers know they must file an annual Form 5500 for each retirement plan. Did you also know that you may need to file a form for your other employee benefit plans?

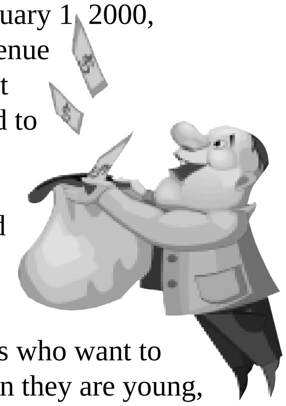
If you offer your employees health or dental benefits and you have more than 100 participants in these insurance plans, you are required to file a Form 5500 with the IRS and DOL. The same is true for any employee welfare benefit plan with more than 100 participants. Plan sponsors of medical insurance, dental insurance, life insurance, apprentice training, severance pay and disability pay are required to file Form 5500.

If you sponsor a Section 125 cafeteria plan, you are required to file a Form 5500 each year, regardless of how many employees participate. Other fringe benefit plans that must file, regardless of their size, include group legal plans, educational assistance programs and dependent care reimbursement plans.

The IRS and DOL can impose penalties if you don't file the required forms. Penalties related to late filing accrue at $1,100 a day. The IRS and DOL may waive the penalties if you have a good reason for either not filing or filing late.■

Combined Plan Limit Is Eliminated Next Year

For plan years beginning on or after January 1, 2000, the combined plan limit of Internal Revenue Code Section 415(e) is eliminated. What does this mean? You will no longer need to restrict benefits in your defined benefit (DB) plan because of benefits earned in your defined contribution (DC) plan and vice versa.



Who will benefit from this change? Doctors, lawyers and other professionals who want to maximize their retirement savings. When they are young, a DC plan works best. Closer to retirement, they can adopt a DB plan (which works better for older participants). Under the new rules, the DB plan is not reduced by the benefits accumulated in the DC plan. Under the old rules, the DB plan contributions would have been reduced by the benefits in the DC plan.

Plan sponsors who are providing maximum DB benefits have been unable to contribute to a DC plan because of the 415(e) limitation. Now, they can once again take advantage of 401(k), profit sharing or other defined contributions plans under the new rules.

Be aware, however, that the deduction under IRC Section 404(c) is still limited to the greater of 25% of pay or the minimum funding requirements of the DB plan. For example, if your DB plan contribution is 20% of pay, you may only deduct a 5% contribution to your DC plan.■

Dorn's Corner

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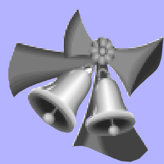
We participated in a full day of fun and games at Dave and Buster's. We randomly divided into teams for intensive competitive games. These are not the caliber of games you'll find in Sydney next year, but we had just as much fun. The photo to the right is of the winning team "I Don't Work Well Under Pressure."

A company is only as strong as the trust it gives its employees and the trust it gets back from its employees. At a recent monthly "Stars" meeting, each employee stood up and told the group what "trust" meant to him/her. I was very impressed with the deep and thoughtful responses from our people.

The Swerdlin Community also includes our clients, advisors and friends. We appreciate these people and we extend our trust to them.■

"I Don't Work Well Under Pressure" - winning team in our company challenge. From left to right: Stephanie Davis, Cynthia Navan, Nancy McMurtrie, Joanne Swerdlin, Trey Stephens, Fariba Kharazmi, and Melodi Kline.

What's Happenin'



Kathy Sanders and Charlie Latour were married on February 21st. Please join us in wishing them every happiness.

Welcome to two new employees: Harry Souder joins the Actuarial Team as a Senior Actuarial Analyst, and Becky McDougal is our new receptionist.

Congratulations to Cathy Philp on her promotion to Administrative Assistant.

Joanne Swerdlin was just elected to the Board of Directors of National Women in Pensions, Inc. (WIPS).■

Good News!

The IRS has issued Revenue Procedure 99-23 which extends the remedial amendment period for one more year to the last day of the first plan year beginning on or after January 1, 2000. For calendar year plans, this means December 31, 2000. This extension allows retirement plans to delay amending their documents for recent law changes (GATT, USERRA, SBJPA, TRA97) collectively know as GUST. Although the changes do not have to be written in the document yet, plans must operate in compliance with these laws.■

Don't Forget to Hand Out Your SPD

You are required by law to provide a Summary Plan Description (SPD) to all participants in a qualified retirement plan. The SPD is a document that describes the plan, using language that is simple and easy to understand. It contains basic plan information, including the name of the plan sponsor, names of the trustees, employee benefits and rights, plan procedures and other important plan provisions.

Retirement plans are not the only benefit plans requiring SPDs. An SPD must be distributed not only for retirement plans but also for any other benefit plans covered by ERISA.

SPDs are required for the following types of plans:

- Qualified Retirement Plans (most plans)
- Fringe Benefit Plans (cafeteria plans, educational assistance and legal assistance)
- Welfare Benefit Plans with more than 100 participants (health insurance plans, dental plans, disability plans)

You are required to give a copy of the SPD to each participant no later than:

- 90 days after an employee becomes eligible to join the plan.
- 120 days after the plan effective date or (if later) the plan's adoption date.

Additionally, you must hand out new SPDs to all eligible employees if the plan has been amended or every 10 years if it has not been amended.

If you change your plan, you must give participants a notice that explains the changes you've made. This notice is called a Summary of Material Modifications (SMM). It describes in simple language the changes made to the plan, and must be given to eligible employees no later than 210 days following the plan year in which you adopted the changes.

Always keep a record of when and to whom you hand out SPDs. Many plan sponsors have a form that requires the employee's signature acknowledging receipt of the SPD and other required notices. This type of form also provides a good audit trail if the Department of Labor decides to review your plan(s).■

Pictured are the team members and coaches of the Swerdlin Dodgers, a Smyrna-based Little League baseball team sponsored by Swerdlin & Company for 7 and 8-year olds.

Sue deLeon, one of our employees and mother of two boys, initiated the idea, and we are all excited about our sponsorship.

FAQ

Q *I just received a check from my company's 401(k) plan. The administrator told me that I was getting money back because the lower paid employees had not contributed enough to the plan. Can I roll this money into an IRA?*

A No. It sounds as if your plan did not pass the Average Deferral Percentage test and you received a refund to allow the plan to pass. You cannot roll this distribution into an IRA since it is not an eligible distribution.

You may want to consider a Roth IRA. You are eligible for at least a partial Roth IRA if your Adjusted Gross Income is $110,000 or less for single filers, or $160,000 or less for joint filers. You cannot deduct your Roth IRA contribution, but the earnings will grow tax free and may not be taxable when they are paid out to you.

Q *Can I force a terminated participant to take his money from our plan?*

A Yes, if the participant's vested account balance is less than $5,000. You are required to give him the usual distribution forms. However, if he has not returned them after 30 days, you can send him a check from the plan. The mandatory tax withholding still applies.

Q *Has the definition of a Highly Compensated Employee (HCE) changed recently?*

A Yes, the definition of an HCE changed in 1998, and it is now easier to make a determination. An HCE is an employee who:

- was a 5% or more owner in the current or prior plan year, or
- earned more than $80,000 in the prior plan year.■

Swerdlin & Company was pleased to sponsor a table at the Link Counseling Center fund raising event held on Friday, March 26th at the Swissotel.

Link Counseling, a long-term client, has provided quality, affordable and confidential counseling services to the community for 27 years.

The Seven Deadly Sins

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most $30,000 during a plan year. This limit applies to the sum of employee deferrals, employer contributions and reallocated forfeitures. This limit does not apply to loan payments, rollovers or investment returns.

Remember, if you have more than one retirement plan, all plans must be considered together. All of these mistakes can and should be corrected. If you suspect a mistake has been made, give us a call.■

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Vision Statement:

We strive for financial strength for our clients, our employees and our company by caring to be the best. We are committed to being the leading pension consulting firm in our market. We achieve this through cooperative teamwork, community building and continuous learning and development.

Mission Statement:

We focus primarily on design and administration of qualified retirement plans. Our mission is to develop relationships with our clients, our employees and our community so that all parties grow and develop financially and otherwise.