

Dorn's Corner

We are, by nature, creatures of habit. Without that nature, we couldn't exist as we do. For example, if we had to think about every muscle movement required to walk, we wouldn't have any brainpower left to do much else. An experienced driver does not have to think of every arm and leg movement to successfully keep the vehicle on the road. Our minds are designed to learn and repeat old patterns. We are comfortable with structure, certainty, and continuity.

Unfortunately, our world is becoming less and less certain, less structured, and change is occurring at accelerating rates. This brings discomfort and sometimes outright fear and terror to us as creatures of habit.

What can we do about this conflict between the *need for change* and the pull towards *comfort of the known*? I once read that we should fear the known more than the unknown. As we focus on the known, we miss the best part of life which is the *here and now* happening before our eyes. As we repeat old patterns (the known), we

Continued on
page 7



Gone But Not Paid Out

Employees who leave your company may still be considered participants if they have money in the plan. You should consider the following to protect your plan and the terminated participant's rights:

-  **Final contributions and vesting.** Be sure that all contributions have been credited to the account and vesting has been properly calculated before paying terminated participants.
-  **Loans.** Don't forget to reduce any payment by outstanding loan balances.
-  **Notice.** Before making distributions, you must provide a mandatory notice regarding retirement plan payments. This notice explains rights, tax issues and information about rollovers to IRAs or other employer plans. This notice is due not more than 90 days and not less than 30 days before payments begin.
-  **Consent.** A vested account balance of more than \$5,000 may not be

distributed before receiving the participant's consent, and in some cases, the consent of the participant's spouse as well. Although vested account balances under \$5,000 may be paid without receiving a participant's consent, the option to roll over or receive a direct cash payment should be allowed.

-  **Tax withholding.** Unless a distribution is rolled over, the employer must withhold 20% of the distribution for taxes.
-  **IRS Reporting.** All participant distributions must be reported to the IRS and to the participant on Form 1099-R, regardless of whether the participant was paid directly or in the form of a rollover.
-  **Same investment rules.** If a terminated participant chooses not to take a distribution, then he is entitled to all of the same investment choices and transfer options offered to active participants. ■

In This Issue . . .

Gone But Not Paid Out	1
Client of the Quarter: Evening Post Publishing Co.	2
Congratulations, You've Been Selected!	3
What's Happenin'	4
Buying Back Participants' Stock In An ESOP	4
Frequently Asked Questions (FAQ)	4
Can 401(k) Plans Do the Job?	5
Short Plan Years	6
Do Your Employees Know What Their Benefits are Worth? ..	7

The Post and Courier

This quarter we are pleased to spotlight Evening Post Publishing Co., publishers of The Post and Courier, "The South's Oldest Daily Newspaper." The Post and Courier name was established in 1991 with the merger of The Evening Post, founded in 1894, and The News and Courier, founded in 1873. The history of this newspaper can be traced back to 1803.

Swerdlin & Company has worked with Evening Post Publishing Co. on their 401(k) plan for many years.

Located in Charleston, this privately held newspaper is one of six in South Carolina owned by the Manigault family. Other properties include three papers in North Carolina, an English-language daily in Argentina, ten television stations, two press service companies and a forestry company. They have a staff of over 650 at The Post and Courier, and 1,500 company wide.

In 1952, the newspapers moved into their current premises, where they still operate. In 1990, a \$32 million

expansion of the company's plant was completed, and press capacity was doubled.

During its 200 plus years, the newspaper survived The Civil War, earthquakes, fires, floods and hurricanes. In September, 1989, Hurricane Hugo roared into Charleston, with 138 mile per hour winds. Despite a 20-foot wall of water that hit the area, the newspapers continued to publish for five days using power from their never-before-used generator.

As an innovative company, they were one of the first in the state to develop a web site that includes access to their archives and classified ads. They also create web pages for non-profit organizations as a community service.

While in Charleston, call the Promotion and Community Service Department at 843-937-5494, to tour the paper. Charleston is a popular destination for architecture and history buffs, lovers of the arts, golfers and honeymooners, and draws some 5 million visitors each year. ■



Congratulations! You've Been Selected!

If you receive a letter from the IRS saying your retirement plan has been selected for audit, don't panic. The IRS audits about 1% of all retirement plans. If you are selected, it doesn't mean anything is wrong with your plan. Most audits go smoothly and last only one or two days. The IRS agent will come in, look over your plan records, calculations and procedures, and if all is well, you will receive a "no change letter."

Here are some steps to prepare for your audit:

-  Contact your third party administrator (TPA). Don't try to do it alone. Your TPA will be prepared to answer any questions and explain the plan's operating procedures. Having a professional involved should make the audit smoother.
-  The letter notifying you of the audit will include a list of documents needed. Your TPA will have most of the items in their files. Many of our clients choose to have their audits conducted in our office.



-  When gathering your data, if you discover an error or miscalculation, contact your TPA and/or plan attorney to discuss your findings. These professionals will help you determine how to address these issues.

Remember, in preparing for an audit, stay calm and present the information requested. ■



Swordlin & Company Orange Team:

Back row (left to right):
Melissa Watts and Kevin Thomas.

Front row (left to right):
Debby Haywood, Melodi Kline,
and Carol Jordan.



What's Happenin'

Congratulations to the following Swerdlin employees who were recently promoted:

- Christy Crossway to Team Manager of the Gold Team.
- Lisbet Flaxman to Actuarial Consultant.
- Carol Friend to Pension Consultant.
- Kim Hall to Associate Pension Administrator.
- Jennifer Krebs to Associate Marketing Manager.
- Adam Pozek to Senior Pension Administrator.

Kudos to Stephanie Davis who recently graduated from Kennesaw State University with a Bachelors Degree in Business Administration in Marketing.

Congratulations to Lisbet Flaxman who recently passed Segment B of the Basic Examination EA-1 (Principles of Pension Valuation) of the Joint Board for the Enrollment of Actuaries.

Congratulations to Jennifer Krebs who recently became engaged to Kevin Spindel.

Congratulations to Joanne Swerdlin who was recently elected President of the Atlanta Chapter of WEB, a national Employee Benefits Organization.

Continued on page 6

Buying Back Participants' Stock in an ESOP

It is important to plan ahead when a closely-held company has an ESOP as its retirement plan. We have recently seen an increased interest in repurchase liability studies where employers become better informed of the future cost to buy back stock from their participants.

A repurchase liability study can:

- Give you an idea of how much your ESOP will cost the company as the plan and participants mature.
- Assist you in determining how to fund stock repurchases from plan participants as they leave the company.



- Help you determine which group of participants will obtain the largest amount of shares over a certain period.
- Determine what features in a new plan will be most cost effective and beneficial to all of the future employee-owners.

We would be glad to provide you with more information about these studies and their benefits. Swerdlin is very active in the ESOP Association and provides a full spectrum of services including administration and repurchase liability studies. ■



- Q** When I request an extension of time to file my plan's Form 5500, how do I know it will be approved by the IRS?
- A** Effective immediately, all 5558's (Application for Extension of Time to file certain Employee Plan Returns) will be automatically approved if the request is filed on or before the due date of the return (7 months after the end of the plan year).

Because the extension is automatic, the IRS will no longer return approved copies of Form 5558 to be filed with the return. Instead, you will just attach a copy of the completed Form 5558 to your return. ■

Can 401(k) Plans Do the Job?

The growth of 401(k) plans has been explosive over the past few years. Employers like them because they are:

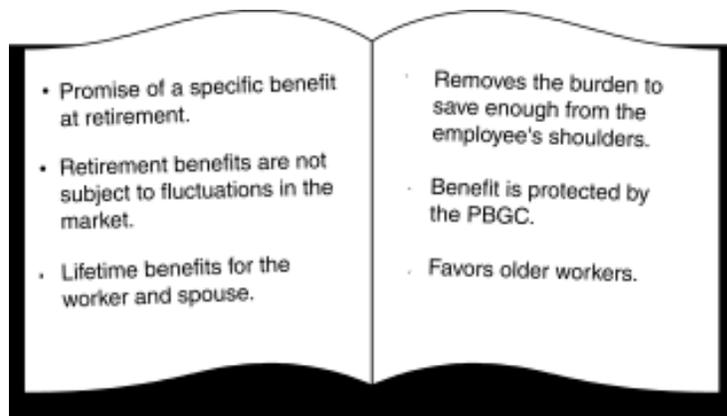
- Flexible;
- Easy to administer; and
- Shift some cost to employees.

People are signing up for 401(k) plans and saving for retirement at record rates. Is there a down side? Yes, employees bear the investment risk and share the responsibility for funding their own retirement.

What happens when the stock market has its next sustained downturn? Most employees participating in 401(k) plans have never experienced a bear market. How will they respond to a year or two of mediocre or negative investment returns? Will they continue saving or will they stop for fear of losing money? Will they still invest in the stock market or pull out and jump into safer, lower yielding investments? Will they have enough money to retire?

You can enhance the security of your employees' retirement by adding a defined benefit plan which guarantees a specific benefit at retirement. Each employee knows his or her retirement benefit in advance. They can count on that benefit regardless of fluctuations in the stock and bond markets because the employer bears the investment risk.

The Pension Benefit Guaranty Corporation (PBGC) has published a booklet entitled "A Predictable, Secure Benefit for Life, Defined Benefit Pensions." The PBGC is the government entity that insures the benefits of those workers participating in defined benefit pension plans. Some of the advantages of a defined benefit plan outlined in the booklet include:



If you would like to find out how a defined benefit plan might fit into your benefits package, give us a call. ■



Swerdlin & Company Celebrates "Bring Your Dog to Work Day!"

(From left to right): Glenda Devechio with Savannah, Donna Martin with Nikki, Fariba Kharazmi with Truffles, and Adam Pozek with Winston.



What's Happenin'

Continued from page 4

As we continue our growth at Swerdlin, please help us welcome four new employees:

- Kevin Thomas, Team Leader of our Daily Recordkeeping Department. Kevin joins us from a large national consulting firm and has 14 years of experience.
- Jeff Smith, Senior Actuarial Analyst. He joins us from one of the national actuarial consulting firms. Jeff is an Associate of the Society of Actuaries, an Enrolled Actuary and has 7 years of experience.
- Debby Haywood, an Associate Pension Analyst for our Daily Recordkeeping Team.
- Rebecca Demchak, an Administrative Assistant for the Actuarial Team.

Short Plan Years

What happens when your plan year changes? Employers sometimes change their plans to either a calendar or fiscal year end. Changing the year end results in a short plan year (less than 12 months). With a short plan year, the applicable limits are reduced by a fraction, which is the number of months in the short plan year divided by twelve.

Here's an example if the plan year end changes from September 30 to December 31.

	12 Month Year	3 Month Year
Plan Year	Oct 1 - Sep 30	Oct 1 - Dec 31
Maximum Considered Compensation	\$160,000	\$40,000
Maximum Annual Additions	Lesser of 25% of pay or \$30,000	Lesser of 25% of pay or \$7,500
Year of Service for Eligibility, Participation, and Vesting	1,000 hours	250 hours
Form 5500	Required	Required
Financial audit for plans with over 100 participants	Required	May be deferred and included in the next plan year

If you are considering a change in plan year, please give us a call so that you'll know how the participants in your plan will be affected. ■



Swerdlin & Company Welcomes:

(From left to right): Rebecca Demchak, Jeff Smith, Debby Haywood, and Kevin Thomas.



Do Your Employees Know What Their Benefits are Worth?

Dorn's Corner

Continued from page 1

Did you know the average employer pays more than 40% above payroll on benefits alone? A recent survey shows that 81% of employees do not realize the cost of their company provided benefits.

miss the magic of the unknown as it unfolds before us.

The key is to communicate benefit information and cost to the employees. A comprehensive benefit statement shows an employee his statutory and fringe benefits and how much these benefits cost the employer. Comprehensive benefit statements can:

When we are on auto-pilot (acting out of habit), we lose our ability to make choices, because we are usually unaware that we are on auto-pilot and, therefore, have no choice to act any other way.

- Dramatically improve an employee's understanding and appreciation of his benefits package;
- Increase job satisfaction;
- Decrease employee turnover;
- Increase productivity; and
- Lessen the demand for greater wages and benefits.

As we effect changes in our companies, we should be aware that people will naturally resist change. If they see the *magic of uncertainty* compared to the *limitations of the known*, they may be more receptive to change. ■

Comprehensive benefit statements can be a single page summary of benefit costs or a multi-page booklet with costs and explanation of benefits. Below is a

sample of a table included in a benefit statement produced for one of our clients.

Summary of Benefits Cost

Benefit	Employer Cost
Medical Premium	\$ 3,800.00
Dental Premium	250.00
Life Premium	389.76
Long Term Disability	462.60
Bonus Amount	1,000.00
Overtime	1,543.54
Coffee and Soft Drinks	153.67
Profit Sharing Contribution	1,925.30
401(k) Employer Match	600.00
FICA Tax	2,148.12
Federal Unemployment	56.00
Workers' Compensation	63.00
Total Benefits Cost	\$ 12,391.99
Annual Income	30,000.00
Actual Realized Income	\$ 42,391.99

This year, Swerdlin & Company employees received comprehensive benefit statements for the first time. The statements proved to be a huge success.

If you are interested in learning more about comprehensive benefit statements, give us a call. ■

Employer paid benefits equal an additional **41.31%** of annual salary.



PRSR STD
US POSTAGE PAID
ATLANTA, GA
PERMIT NO. 6544

Actuaries ■ Employee Benefit Consultants

5901 Peachtree Dunwoody Road
Building B ■ Suite 170
Atlanta, GA 30328

(770) 396-6601

www.swordlin.net
info@swordlin.net



Actuaries ■ Employee Benefit Consultants

Give us a call to discuss how we can help you make the most of your employee benefit program.

(770) 396-6601

We can help you with the following services:

- Actuarial Consulting
- Plan Consulting and Design
- Plan Installation
- Annual Administration
- Daily Recordkeeping
- Repurchase Liability Studies
- Employee Communication
- Regulatory Compliance
- Educational Presentations
- Special Studies

We are dedicated to making your employee benefit program a tool for reaching your organizational goals.

We provide services for:

- Profit Sharing Plans
- 401(k) Plans
- Money Purchase Plans
- Target Benefit Plans
- Defined Benefit Plans
- ESOPs
- Age-Weighted Plans
- New Comparability Plans (Cross-Tested)
- TSAs/403(b)/457 Plans
- Comprehensive Employee Benefit Statements
- Supplemental Executive Programs

Published by:

Swordlin & Company
5901 Peachtree Dunwoody Road
Building B, Suite 170
(770) 396-6601
Fax: (770) 698-9335
newsletter@swordlin.net
www.swordlin.net

Newsletter Committee:

Chairman: Carol Friend
Contributors: Julie Isom, Michael Miller, Dorn Swordlin and Joanne Swordlin
Layout & Design: Stephanie Davis
Photos: Adam Pozek

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.