

REPTTECH

Customized Employee Benefits Administration

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NEW BENEFIT PLAN LIMITS ANNOUNCED FOR 2005

Each year the U.S. government adjusts the limits for private pension plans, Social Security, Medicare, and other benefit programs to reflect price and wage inflation, and changes in the law.

Many of the pension plan limitations changed for 2005 as noted below.

	2004	2005
Annual Compensation Limit	\$205,000	\$210,000
Elective deferral limit for 401(k), 403(b), and 457(b) plans	\$ 13,000	\$ 14,000
Catch-up contribution limit for 401(k), 403(b) and governmental 457(b) plans	\$ 3,000	\$ 4,000
SIMPLE Plans		
Elective deferral limit	\$ 9,000	\$ 10,000
Catch-up contribution limit	\$ 1,500	\$ 2,000
Annual additions limit for defined contribution plans The maximum annual addition is the lesser of 100% of compensation or \$41,000.	\$ 41,000	\$ 42,000
Annual benefit limit for defined benefit plans The maximum annual benefit allowed between ages 62—65 is the lesser of 100% of compensation or \$170,000.	\$165,000	\$170,000
Highly compensated employee compensation threshold A highly compensated employee is any person who either owns more than 5% of the employer or earned more than \$95,000 in the prior plan year.	\$ 90,000	\$ 95,000
Key employee compensation threshold A key employee for top-heavy plan purposes is any person who is a more than 5% owner, a 1% owner earning more than \$150,000, or an officer who earned more than \$135,000 in the current plan year.	\$130,000	\$135,000
Social Security taxable wage base	\$ 87,900	\$ 90,000



**New Year,
New Limits**

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Automatic Rollovers From Retirement Plans

On December 28, 2004, the Internal Revenue Service ("IRS") released Notice 2005-5, providing guidance on automatic rollovers.

Plans are generally permitted to provide for mandatory distributions (i.e., without participant consent) for amounts less than \$5,000. The Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA") requires plans containing these mandatory distribution provisions to automatically roll over distributions to individual retirement arrangements (IRAs) for certain participants. Participants are covered by the automatic rollover requirement if they have vested accrued benefits exceeding \$1,000 and if they fail to elect to receive distributions or have such amounts paid directly to an eligible retirement plan.

The Department of Labor ("DOL") published final regulations (2550.404a02) on September 28, 2004, which specify, in part, that the automatic rollover

provision of IRC §401(a)(31)(B) is effective for mandatory distributions made on or after March 28, 2005.

Qualified plans that contain mandatory distribution provisions must be amended to comply with the automatic rollover provision of IRC §401(a)(31)(B) by the last day of the plan year ending on or after March 28, 2005. Plans with fiscal years that end on March 31, 2005, for example, must be amended by March 31, 2005.

Operationally, Notice 2005-5 provides relief for plan sponsors by permitting them to delay processing mandatory distributions until December 31, 2005, in order to create and implement administrative procedures to properly facilitate the distributions. Administrative procedures include 1) identifying and entering into a written agreement (as described in the final DOL regulations) with a financial organization that offers IRAs and is willing to accept automatic rollovers, and 2) notifying participants in writing of the automatic

rollover requirement either as a part of the §402(f) notice (the "Special tax notice") or separately. Notice 2005-5 requires the participant notice to 1) inform participants that, absent an affirmative election by the participant, the distribution will be paid to an IRA, and 2) identify the IRA trustee, custodian or issuer. The participant notice requirement applies in addition to, not in lieu of, the DOL requirement that summary plan descriptions explain the automatic rollover requirements.

Compliance with IRC §401(a)(31)(B) is only required of plans that contain mandatory distribution provisions. Plan sponsors who maintain plans that contain mandatory distribution provisions but wish to avoid the automatic rollover requirement must amend their plans before March 28, 2005, to either eliminate the mandatory distribution provisions or reduce the dollar threshold to \$1,000.



We're happy to welcome Don Oldag to our REPTECH team. Don joined us in January as the Director of Marketing. Don will be assisting employers, investment advisors, attorneys, and certified public accountants with plan design and implementation. Please contact Don at 303.327.5316 or at doldag@reptech.com with your questions.



We bid a fond farewell to Jodie Rostad (Schweigert) in December. Jodie and her new husband, Cartis, relocated to Indianapolis, Indiana where Cartis found an offer that he couldn't refuse! We wish the best for Jodie and Cartis!!

We also said goodbye to Wanda Schwab who went off to be a full-time mom.