



LETTER

November, 2002 32-bit Version 7.6 16-bit Version 6.13 ANNUAL ADDITION LIMITS New Top Heavy Rules

The Annual Addition previously reported for 2003 of \$41,000 has been held at the 2002 limit of \$40,000. The system will automatically limit plan years ending in 2003 to \$40,000. Remember, in a short plan year situation, the normal Annual Addition limit applicable to the year end must be divided by twelve (months) and multiplied by the actual months in the short plan year being processed. That amount should be inserted into the Run Controls of the "D" screen by the administrator. The rest of the new limits for 2003 are as follows:

401(k) Deferrals	\$12,000
Annual DC Limit	\$40,000
Annual Compensation Limit	\$200,000
Catch-up Contribution Limit	\$2,000
HCE Threshold	\$90,000
Social Security Wage Base	\$87,000
403(b)/457 Elective Deferrals	\$12,000
SIMPLE Employee Deferrals	\$8,000
SIMPLE Catch-Up Deferrals	\$1,000
SEP Minimum Compensation	\$450
SEP Annual Compensation Limit	\$200,000

In it's infinite wisdom, the IRS has changed the way the Top Heavy percentage is to be calculated effective for 2002 plan years. Instead of looking back four years and adding back all distributions, including the current year's, to determine the Top Heavy percentage, effective for plan years beginning in 2002, the look back of four years only applies to "in service" distributions to Key Employees. Distributions for NHCEs are only added back from the current year AND only if the NHCE terminated during the current year. These new rules are applied to plan years that begin in 2001 to determine the 2002 Top Heavy percentage. The system will add back ALL distributions to Key Employees. There is no way to distinguish if the distribution is attributable to a Key Employee who was employed at the time of the distribution (in service) and terminated subsequently, or was terminated at the time of distribution. To print out a back-up for the calculation, go to Option R in the Defined Contribution System. Select 1, to print. The system will ask what fields you want to print. Answer yes to withdrawals only. In the To and From Transaction Dates, enter the first day of the plan year four years prior to the first day of the plan year being processed and the last day of the year being processed. Example: A 2001 calendar year is being processed. The dates to be entered would be 01/01/1997 and 12/31/2001. The report that prints out will show you all distributions. The User will have to

distinguish which distributions to Key Employees were due to termination and subtract that amount from the Key Employee total to adjust the Top Heavy percentage. The old Top Heavy calculation rules will still be applied to plan years that began before 01/01/2001.

NEW RATES

These are the monthly rate increases since the last update:

Oct. 2002	5.04%	- 6.72%	- 6.16%
Sept. 2002	5.07%	- 6.76%	- 6.20%
Aug. 2002	5.09%	- 6.78%	- 6.22%
July 2002	5.10%	- 6.80%	- 6.23%
June 2002	5.11%	- 6.81%	- 6.24%
May 2002	5.12%	- 6.82%	- 6.25%

PBGC Variable Premium Rates

Oct. 2002	4.76%	Sept. 2002	5.08%
Aug. 2002	5.39%	July 2002	5.52%
June 2002	5.65%	May 2002	5.68%

A NEW ADDITION

In the Name and Address System, Option A, Client Information Maintenance, a new field has been added. The User is now able to enter the Trust ID number.

GATT Interest Rates

Sept. 2002	4.76%	Aug. 2002	5.08%
July 2002	5.39%	June 2002	5.52%
May 2002	5.65%	Apr. 2002	5.68%

JUST A REMINDER....

When applying the annual addition limit to an individual, remember that it applies, per company. If the individual is employed by different, unrelated companies, the annual addition is applied separately. For instance, Joe worked for ABC Corp. XYZ Corp. unrelated companies, in 2002. His annual addition limit would be \$40,000 per company.

The same does not apply to the annual deferral limit, though. That is calculated on an individual participant basis.

DB Quarterly Penalty Interest Rates

Sept. 2002	6.62%	Aug. 2002	7.49%
July 2002	8.12%	June 2002	8.38%
May 2002	8.82%		



DB Current Liability Minimum\ Maximum Interest Rates and Lower "Upper Limit" Rates

