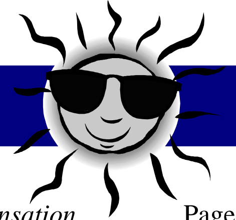
Action Items

July, 2005

a newsletter for ACI's clients and their advisors



IN THIS ISSUE

Non-Qualified Deferred Compensation	Page 2
Ready or Not, Here Comes Roth 401(k)	Page 4
IRC Section 415 Updated and Changed	Page 4
2005-5 Follow Up	Page 5
Final 401(k) Regulations	Page 6
Credit Protection Under New Bankruptcy Bill	Page 7

Misconduct by Mutual Funds:
What's a Retirement Plan Fiduciary to Do?

by Pat Byrnes, President
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What began as a molehill—a handful of fund companies facilitating late trading and allowing market timing—has become a full-scale mountain, with a seemingly never-ending list of mutual fund companies being investigated for similar misconduct. Elliot Spitzer, New York State attorney general, has become a fund manager's nightmare incarnate, casting a net of allegations that is catching too many fund companies in embarrassing positions. His counterparts in other states, along with the Securities and Exchange Commission (who was curiously late to join the fight), have now entered the fray, and there's no telling how long it will be until the dust settles.

Many of these allegations will inevitably be proven false. It's starting to feel a little bit like a mob mentality has taken hold, with allegations being thrown at anyone in the mutual fund business. In what may be a telling sign, though, as common as it was for the early targets of the investigations to take a conciliatory stance (nobody has outright confessed to wrongdoing), it is now almost as common for targets to aggressively refute the allegations.

In the middle of this drama is the retirement plan fiduciary, responsible for selecting, monitoring, removing and replacing a diversified selection of investment alternatives. Yet with the list of mutual fund managers under investigation growing on a daily basis, what's a fiduciary to do?

The answer is to continue to conduct due-diligence, though the frequency of these reviews may increase as allegations are proven true or false. In a nutshell, there are five actions retirement plan committee members should take now:

1. ***Review Your Investment Policy***
   Each retirement plan is required to have an investment course of action, commonly referred to as an Investment Policy. The Policy should spell out, among other things, the due-diligence process and the criteria used to evaluate funds. Common criteria include the monitoring of funds for changes in management, "style drift," and expense ratios. Many of the fund families who have admitted to wrongdoing have changed fund managers. Depending upon how your Investment Policy is written, this may require action on the part of fiduciaries. Changes in managers can also eventually lead to style drift, which may also trigger action. Fiduciaries must keep an

See "Fiduciary" on page 3

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Non-Qualified Deferred Compensation:

Reinvented by Edict

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There is a "sea change" in the world of non-qualified deferred compensation. Since 1978 there have been no major changes in this area of executive benefits. With over 60 years of court cases tossed aside, it is difficult to overstate the degree of change imposed on companies' compensation practices.

Legislation imposing new restrictions on a wide range of compensation arrangements was signed into law on October 22, 2004. The American Jobs Creation Act (AJCA) adds a new Section 409A to the Internal Revenue Code which applies to compensation deferred under a nonqualified deferred compensation plan after December 31, 2004. The new law imposes restrictions on funding, distributions, and elections to participate in the plan. While recent IRS guidance (IRS Notice 2005-1, as revised on January 6, 2005) provides some transitional relief, immediate changes to many compensation arrangements are necessary.

Who is affected?

The new Section 409A potentially applies to any arrangement which postpones payment of compensation to another year. Notice 2005-1 confirmed that this includes arrangements covering only one person, severance agreements, Supplemental Executive Retirement Plans (SERPs), "defined benefit" nonqualified plans, and arrangements with non-employees (e.g., directors and trustees). The statute identifies very few exceptions, the most significant of which are qualified plans, time-off plans and bonuses paid within 2½ months after end of tax year.

For example, an agreement with a departing executive to pro-rate payment of her severance package over the next 24 months will fall within the scope of the new Section 409A.

What must be done now?

A prerequisite for the transitional relief included in Notice 2005-1 is that the plan be operated in good faith compliance with existing guidance and the current terms of the plan itself — to the extent not in conflict with the guidance — until the plan document is formally amended. This means that the plan must immediately begin to operate in accordance with Section 409A, even if this conflicts with the written terms of the plan.

For example, a nonqualified plan which is funded via a "Rabbi Trust" held outside the United States will need to act immediately to move the ownership of that trust to a domestic "location" before 2005 deferrals are contributed.

For most plans, because pre-2005 deferrals will not be subject to the new rules unless the plan is materially modified (other than to comply with the new law), the only immediate impact will be on the solicitation of participant elections. Section 409A requires that an election to defer compensation, other than upon initial eligibility for the plan, be made prior to the taxable year in which the services subject to such election are performed. Of course, this means that the elections to defer 2005 compensation must have been made during 2004. Because the IRS did not publish Notice 2005-1 (the first, and to date only, guidance on the new law) until December 20, 2004, and then amended it January 6, 2005, the Notice includes a grace period for implementation of these election rules. Plans already in existence in 2004 may permit — if not inconsistent with the plans' current provisions — participants to make elections relative to their 2005 compensation as late as March 15, 2005, provided the election is made before the amounts are earned. Since this date is past, the next important date involves bonus compensation.

Certain performance-based compensation is subject to a less restrictive rule than that described above. Elections to defer performance-based (i.e., bonus) compensation may be made no later than six months prior to the end of the performance period. However, this will still require elections concerning 2005-based annual bonuses to be made by June 30, 2005.

What must be done by the end of 2005?

Section 409A requires both plan documentation and administrative compliance. Further, the law requires that a plan contain specific provisions dictating how compliance is maintained. For example, a nonqualified plan operated in a manner consistent with Section 409A, and containing no written provisions in conflict with Section 409A, but which contains no explicit language concerning the timing of contribution elections will not satisfy Section 409A.

Fortunately, the IRS has acknowledged that more specific guidance and more time are required before sponsors of nonqualified deferred compensation plans can reasonably be expected to fully comply with Section 409A. Therefore, formal amendment of nonconforming deferred compensation plans may be postponed until the end of 2005, as long as the plan is operated in the interim in "good faith" compliance with the provisions of Section 409A and this IRS Notice.

By the end of 2005, every deferred compensation plan subject to Section 409A will most likely require amendment, even if only to codify existing procedure, or conform terminology to the language of the new law. Also, by this same date, administrators of these plans must be prepared to implement the new distribution rules for amounts deferred in 2005 or later. In some cases, this may require that different portions of a participant's accumulated deferred compensation be handled in distinctly different manners. An administrator will want to ensure that the plan's recordkeeping and documentation process is prepared for this possibility.

What restrictions does section 409A impose?

Section 409A provides that compensation deferred into a nonqualified deferred compensation plan will be subject to current taxation plus a 20% penalty unless the requirements are both included in the written plan document and enforced.

Distributions

Section 409A permits deferred compensation to be distributed only upon the earliest of: (1) separation from service (but note that key employees of publicly traded companies must wait an additional six months), (2) disability, (3) death, (4) unforeseeable emergency (as defined in the statute); and (5) a date irrevocably designated at the time of the deferral elections. These "irrevocable" dates may be postponed, but not accelerated, if certain criteria are met.

Deferral Elections

As discussed above, compensation may be deferred only if the election to defer such compensation is made prior to the taxable year in which the compensation is earned. A newly eligible employee, however, may elect to defer compensation which would have been paid in that same year, as long as such election is made within 30 days of the date the employee was first eligible to participate and before the performance of the services subject to such election.

Funding

Section 409A prohibits the use of offshore Rabbi Trusts. In addition, domestic Rabbi Trusts are precluded from containing any provisions which purport to place the rights of participants ahead of the rights of general creditors.

There are many unanswered questions relating to what programs are subject to 409A, as well as methods of compliance with it. Additional guidance will be forthcoming during 2005 that should be more enlightening. In the meantime, your counsel can be preparing for the changes to be made.

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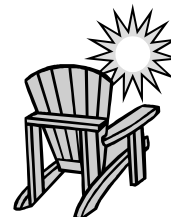

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or contact ***information@acibenefits.com*** *for a brochure.*

"Fiduciary" Continued from page 1

eye on their investment lineup and their Investment Policy to make sure they are operating the plan appropriately.

2. ***Contact Mutual Fund Companies***
As a proactive step, you may want to contact each of the fund families included in your retirement plan and get a written response to some pointed questions regarding ongoing investigations and/or trading practices. These inquiries should not be limited to fund families you know are currently being investigated—it should be all the fund families included in the plan, since it appears that eventually most will be facing some form of investigation. The State of Maryland prepared a letter that fiduciaries may use as a foundation for their own inquiry into these subjects. A copy of the letter is included in the library section on our website at *www.acibenefits.com* under Resources.

3. ***Take Action When Appropriate***
If you determine that a particular fund is no longer an appropriate retirement plan investment, begin the process of removing it from the lineup. Should you determine that your recordkeeper is failing to act appropriately, you may need to actually convert the entire plan to another vendor, which brings with it an array of other complexities that need to be carefully considered.

4. ***Maintain a Compliance File***
Document all actions, including the research and review processes, to demonstrate that you acted prudently throughout the due-diligence process.

5. ***Communicate with Participants***
Keep your employees informed of your research. Let them know you are going through a rigorous due-diligence process to ensure you continue to offer an array of investment options that is appropriate to their needs. In the event that you make any significant changes to your plan, there are legal requirements for employee notification; however, most sponsors elect to go beyond the minimally acceptable level of communication. Remember that as allegations are tossed around, your plan participants may become increasingly concerned about the investment options in your retirement plan. A proactive communication effort may pay dividends by keeping your plan participants focused on their work, not on the quality of their 401(k) investment options. ACI is available to help retirement plan fiduciaries understand the scope of their responsibilities, develop appropriate due-diligence processes, and document their compliance. For more information on these services, please contact one of our consultants or your plan administrator at 310-212-2600.

Pat Byrnes will be conducting a seminar on July 26th called ***"Minimizing Fiduciary Liability in 401(k) Plans: An Introduction to ERISA §404(c)"*** *This presentation will be held from 2:00 p.m. to 4:00 p.m. at the Courtyard Marriot-Torrance/Palos Verdes, 2633 Sepulveda Blvd., Torrance. There is no charge to attend; however, seating is limited. Please RSVP by contacting Lace Greene at (310) 212-2600, extension 204 or by e-mail at lace.greene@acibenefits.com.*

Ready or Not, Here Comes Roth 401(k)

by Pat Byrnes, President
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The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) allowed for the Roth IRA concepts to incorporate themselves into 401(k) plans.

The IRS published regulations on March 2, 2005 and they become effective for plans beginning in 2006.

The Roth IRA contribution limit is phased out at certain income levels. For example, a married taxpayer filing a joint return would phase out the 2005 Roth IRA of $4,000 at $150,000 to $160,000 adjusted gross income levels. The Roth 401(k) contribution has no such income restriction.

The Roth 401(k) (similar to the Roth IRA) allows for nondeductible contributions to be made to the 401(k) plan that has been properly amended to accept them. When the benefits are ultimately distributed from the plan, the contribution plus the earnings are tax-free. The participant designates what portion of his/her 401(k) deferral and/or catch-up contribution ($14,000 and $4,000 respectively for 2005) will be designated as regular 401(k) deferrals or Roth 401(k) deferrals.

There are a number of operational issues which the IRS has not yet resolved, but it is anticipated that more guidance will be forthcoming in advance of the January 1, 2006 kick-off date.

It was originally guessed that the Roth IRA would be popular for younger aged wage earners that would be in low tax brackets, but are desirous of savings. Thus, tax deductions would not have been as important as the tax-free accumulation of not only the contribution, but the earnings as well.

All of the 401(k) plan vendors will have their Roth 401(k) products and processes up and running by January 1. There will be a lot of advertisements that may, in fact, cause employees to defer more into the plan they might otherwise have chosen.

But, will they do so in large numbers? That is a great question and only time will tell. We may see that middle-aged to later-aged plan participants may decide to make their 2006 elections at least partially into Roth 401(k)s, particularly if their investment horizon is long enough to warrant some significant gains over time.

If you are age 52 and make $220,000 a year in income from your corporation, would you defer $20,000 in 2006 as a designated Roth 401(k) contribution ($15,000 deferral plus $5,000 catch-up)?

The answer will depend on your perceived need for an income tax deduction today in exchange for taxability not only of the $20,000, but earnings on the $20,000 versus no tax deduction today and all the principal and income tax free.

Once the IRS decides on how to handle plan amendments, we will assist our clients in documenting the new Roth 401(k) provisions prior to January 1, 2006.

As a final note, this is one of the provisions of EGTRRA that sunsets on December 31, 2010 unless Congress chooses to extend it.

IRC Section 415 Updated and Changed:

But Not for the Better

Section 415 of the Internal Revenue Code governs the amount of allocations that can be made in a defined contribution plan ($42,000 in 2005) and the benefits that can be paid from a defined benefit plan ($170,000 per year in 2005 based on retirement ages of 62 through 65). The Treasury recently proposed 160 pages of regulations that, if finalized, would go into effect January 1, 2007.

This rewrite of the Regulations is the first since 1981. Since then, there have been 6 major pieces of tax legislation.

Most of the governmental interpretation of new laws has been either through Notices or other Rulings, but not Regulations.

It is normally not our policy to comment on proposed regulations in our newsletter. We normally cover items that you may want to be aware of so that you can take some appropriate action.

While these regulations are still in the proposed state; however, we feel it is important to briefly apprise you of them, given the severe impact they may have on smaller defined benefit pension plans. We want to alert you to just two important situations where Treasury has taken leave to create new interpretations.

Redefines High Three Year Average Compensation
In determining a participant's maximum available pension benefit, a participant may have a benefit commencing from age 62 through 65 of the lesser of the current dollar limit ($170,000 in 2005) or 100% of the participant's average compensation during the highest three years. Historically, the highest three years could have included the years prior to the plan's establishment. In a surprise move, Treasury has signaled its intent to limit the years to those in which the employee was *an active participant in the plan*. This could affect a small employer establishing a defined benefit plan close to retirement.

Very often, small businesses or professional partners wait until the Principals are close to retirement to establish a defined benefit plan. In order to fund the plan, the Principals often reduce their compensation. The Treasury's reinterpretation of the Internal Revenue Code prevents this. Further, the high three year average is based on the

IRS determined limit for each of the three years. Thus, if the three years were 2003, 2004 and 2005, the average would be $205,000 ($200,000 in 2003, $205,000 in 2004, and $210,000 in 2005).

Limits Benefits for Older Employees
When retirement ages exceed 65 (which is not all that uncommon these days), the long standing technique of increasing the maximum benefit due to actuarial adjustments would no longer be applicable. The proposed regulation would cap the benefit at the maximum compensation level for that plan year. For example, assume that a participant retires at age 72 in 2005 with an average salary of $350,000. Under the current rules, the maximum pension benefit could be actuarially increased from age 65 to age 72 to $293,659. However, under the proposed regulations, the maximum benefit would be limited to $205,000.

Pending Actions
We have highlighted just two of the troublesome issues surrounding this proposed regulation. As these issues unfold, we will keep you posted and may be asking those of you who have plans that may be affected to send some form of appropriate communication to Treasury or government officials.

Organizations such as the College of Pension Actuaries (COPA) and American Society of Pension Professionals and Actuaries (ASPPA) will be commenting on these regulations prior to July 25. Public hearings are scheduled on August 17.

2005-5 Follow Up

On January 4th the IRS released Notice 2005-5, addressing "Automatic IRA Rollovers," which were introduced with the passage of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). <u>If your retirement plan includes mandatory distributions (involuntary cash-outs to participants), ALL PLANS MUST COMPLY</u>.

Anyone who sponsors a plan that includes mandatory distributions must evaluate the importance of these distributions to the operation of the plan, and your willingness to comply with new regulations if you retain mandatory distribution.. The Notice requires the adoption of a model amendment to your existing retirement plan document if you retain mandatory distributions.

What are automatic IRA Rollovers (Mandatory Cashout)?
Under the old rule, EGTRRA required that mandatory distributions of more than $1,000 and not more than $5,000 be automatically paid in cash with taxes withheld if the participant fails to make an election to receive the distribution or have it rolled into another qualifying savings vehicle. Notice 2005-5 implies that distributions of more than $1,000 but less than $5,000 can still be cashed out without affirmative election by a terminated participant, but the distribution must be rolled to an IRA. The employer will execute the documentation necessary to establish the IRA and will determine how IRA assets are initially invested.

Next step: Amend your plan
Final regulations which outline new provisions for mandatory cashouts, also known as involuntary cashouts or involuntary distributions, were issued September 28, 2004. IRS Notice 2005-5 interpreting these regulations became effective March 28, 2005. You must amend your plan before the end of the first plan year ending in 2005 in order to comply with these regulations (e.g., if your plan year end is August 31, 2005 you must amend your plan by August 31, 2005).

You must also make any distributions falling under this Notice by the end of the first plan year ending in 2005 but you cannot make them until you amend your plan, and not until you have processes and procedures in place

Options for plan sponsors
You must take action on one of the following options before the end of the first plan year ending 2005.

1. *Amend the plan to eliminate mandatory cashouts entirely.* You may wish to eliminate mandatory cashouts entirely if you have a one-person plan or a husband and wife plan, a partnership or you have just a few long-standing employees, or everyone's account balance is already over $5,000.

2. A*mend the plan to allow for the implementation of the new automatic rollover rules.* If you are closely managing your participant counts to avoid the expense of a CPA audit, you may wish to implement the automatic rollover rules. You will also eliminate any ongoing per participant fees (e.g., recordkeeping, PBGC) and cashout more participants before they move and cannot be located

   The plan must have procedures in place to notify the participants that without an affirmative election, the distribution will be made to an IRA. The participant notice should identify the IRA custodian, trustee or issuer. This is required in addition to an SPD that contains a description of the automatic rollover requirements.

   The plan must have a written agreement with the IRA custodian that specifically addresses the investment of the IRA, the expenses and fees. Investments must be designed to preserve principal and provide a reasonable rate of return. Examples of "safe harbor" investments are money market funds, CD's, interest bearing savings accounts and certain stable value products.

3. *Amend the plan to reduce the mandatory cashout amount to $1,000 or less.* If the money manager does not yet have an available IRA product or if you do not want to develop the processes and procedures required to implement the automatic rollover rules, you may wish to amend the plan to reduce the mandatory cashout amount to $1,000 or less.

As always, should you have any questions, please contact your plan administrator.

Final 401(k) Regulations: *Limiting Bottom-Up QNECS/QMACS*

by Gerri Howell, Consulting Administrator *gerri.howell@acibenefits.com*

The final 401(k) regulations issued on April 27, 2005 restricts bottom-up QNECs/QMACs (Qualified Non Elective Contributions/ Qualified Matching Contributions) allocations used to pass ADP and ACP testing. Generally, QNECs/QMACs are additional contributions an Employer can make to the plan to pass ADP/ACP testing in lieu of distributing excess contributions to the Highly Compensated Employees.

REVIEW OF PRE-FINAL REGULATION QNECS/QMACS ALLOCATION ***(Applicable to Plan Years Ending in 2005)***

If the plan document allowed for a bottom-up QNECS/QMACS, additional contributions were given to those Non Highly Compensated employees until the ADP/ACP test passed. In operation, contributions would be made to the lowest paid person in the plan year up to 100% (25% Pre-EGTTRA) of their compensation until the average deferral percentage of all NHCEs had increased sufficiently to pass the test.

ADP Test Results

Current NHCE average deferral rate percentage (29.80% / 10)	2.98%
Minimum for NHCE average deferral rate percentage to pass test	4.83%
Additional percentage needed to pass test (4.83%-2.98%)	1.85%
Total NHCEs in test	10
Sum additional percentage needed to pass test (1.85% x 10)	18.50%

Allocation Using Current Bottom-Up Method

Employee Name	*Compensation*	*Applied % up to 100% of Pay*	*QNEC*
Lowest paid terminated participant	$ 668.74	18.50%	$123.72
Next lowest paid active participant	$2,160.00	0.00%	$ 0.00
Total QNEC contribution needed			$123.72

REVIEW OF FINAL REGULATION QNEC ALLOCATION ***(Applicable to Plan Year Beginning in 2006)***

QNECs/QMACs would count as meeting the applicable tests only if they do not exceed the greater of:

- 5% of compensation; or
- Two times the representative contribution rate. The representative contribution rate is the greater of:
    1. The lowest contribution rate among half the eligible NHCEs. So if there are 15 employees, then 8 would be counted in this group (50% of 15 is 7.5 rounded up to 8); or
    2. The lowest contribution rate among NHCEs who is still employed on the last day of the plan year.

The revised rules require a QNEC significantly more expensive covering more NHCE participants. Dependant of the terms of your plan and your objectives, you may make QNEC contributions as follows:

- ***Propotional percentage*** You may choose to give a proportional percentage to all NHCE's or just active NHCEs to pass the test.
- Propotional percentage to lowest half among NHCEs
- ***New Targeted QNEC Method*** You may make a contribution of 5% or less for one or more of the other NHCEs until the test passes.

The following example shows the allocation per participant using current year testing:

Allocation Using Final Regulations Method

			Proportional %		***QNEC to 1/2 the NHCEs***		***New Targeted QNEC***	
NHCE	*Compensation*	*Deferral %*	*%*	*Contribution*	*%*	*Contribution*	*%*	*Contribution*
Active Participant	$82,000	6.00%	1.85%	$1,517.00	0.00%	$ 0.00	0.00%	$ 0.00
Active Participant	52,000	5.00%	1.85%	962.00	0.00%	0.00	0.00%	0.00
Active Participant	62,000	4.80%	1.85%	1,147.00	0.00%	0.00	0.00%	0.00

Continued on page 7

NHCE	Compensation	Deferral %	Proportional % %	Proportional % Contribution	QNEC to 1/2 the NHCEs %	QNEC to 1/2 the NHCEs Contribution	New Targeted QNEC %	New Targeted QNEC Contribution
Active Participant	32,000	4.00%	1.85%	592.00	3.70%	1,184.00	0.00%	0.00
Active Participant	2,160	3.00%	1.85%	39.96	3.70%	79.92	5.00%	108.00
Active Participant	22,000	3.00%	1.85%	407.00	3.70%	814.00	5.00%	1,100.00
Active Participant	12,500	2.00%	1.85%	231.25	3.70%	462.50	5.00%	625.00
Active Participant	72,000	2.00%	1.85%	1,332.00	0.00%	0.00	0.00%	0.00
Term'd Participant	675	0.00%	1.85%	12.49	3.70%	24.98	5.00%	33.75
Active Participant	42,000	0.00%	1.85%	777.00	0.00%	0.00	0.00%	0.00
Total		29.80%	18.50%	$7,017.70	18.50%	$2,565.40	20.00%	$1,866.75

CONSIDERATIONS FOR PLAN SPONSORS

With the advent of these new rules it may be more manageable and financially reasonable to consider the adoption of Safe Harbor 401(k) provisions to your plan. This type of contribution allows you to automatically pass the ADP test. It is also 100% vested immediately and must be announced to the participants prior to the start of the plan year (for the 2006 plan year this disclosure must occur by December 1, 2005).

Safe Harbor contributions can be either in the form of a matching contribution or a QNEC contribution. Plan sponsors have a few contribution options

- Minimum matching contribution of 100% of the first 3% of compensation deferred, plus 50% of the next 2% of compensation deferred to all deferring employees
- Minimum matching contribution of 100% of the first 4% of compensation deferred to all deferring employees
- 3% profit sharing contribution to every employee eligible to defer.
  - This type of contribution satisfies Top Heavy
  - This type of contribution goes towards satisfying the Gateway contribution in a cross tested plan.

Your administrator can assist you determining which will be more cost effective based on your demographics. Please let them know if you would like this kind of study performed.

Creditor Protection Under New Bankruptcy Bill

After several Congressional sessions of debate, the President signed into law "The Bankruptcy Abuse Prevention and Consumer Protection Act of 2005" on April 20, 2005.

In living up to its name, it is designed to curb bankruptcy abuse and foster consumer protection.

Once the new law is in place (by mid-October 2005), contributory IRA accounts of up to $1 million would be protected under the bankruptcy statutes. Any rollover money from a qualified plan into an IRA account would further be exempted.

The 1992 landmark Supreme Court decision of "Patterson v. Shumate" exempts all qualified plans from the claims of creditors whether or not a bankruptcy is involved. The decision did not protect a sole shareholder or sole proprietor plan with no employees. However, many states, including California, have allowed for bankruptcy protection for the one person plans.

Prior to the enactment of this new law, IRAs did not enjoy creditor protection under the Federal statutes. In March 2005, the U.S. Supreme Court ruled in "Rousey v. Jacoway" that an IRA is exempt under the Bankruptcy Code of 1978.

"Patterson v. Shumate" continues to offer creditor protection in non-bankruptcy situations.

Sound confusing? It is. These rules can be inter-twined. You may wish to contact an ERISA or Bankruptcy attorney if your situation warrants.

Congratulations Tobi Cogswell, Director, Client Services

Over the last year, ACI has worked internally on a restructuring project aimed at providing enhanced services to our clients. During that process, we created a new role, Director, Client Services (DCS). The role for that position is quite expansive and it has evolved greatly from its conception approximately 13 months ago.

Basically, our DCS is responsible for all client related matters and internally for the administration department.

We are pleased to announce that Tobi Cogswell, who has been with ACI since 1991, and one of our Consulting Administrators, was promoted to this position on July 1, 2005.

Those of you that have had the opportunity to work with Tobi on client matters in the past will recognize her as bright, thoughtful, conscientious and dedicated to filling and exceeding the expectations of her clients.

Please join us in congratulating Tobi on her new position.

ACI Client Education Seminars

2005 401(k) Basic Training: An Introduction to 401(k) Plan Operation

This educational presentation covers items such as non discrimination testing, employee deferrals and employer contributions, loans and distributions and payroll issues. This seminar is open to anyone who would like a better understanding of the administration of 401(k) plans. The following is the 2005 schedule. Please contact Lace.Greene@acibenefits.com to reserve a seat.

Thursday, July 21st from 9:00 AM to 12:00 PM
Thursday, October 20th from 9:00 AM to 12:00 PM

Employee Benefits Briefing: Understanding Health Reimbursement Arrangements (HRA) and Long Term Care & Disability

One of the most significant changes in healthcare since the advent of the HMO is the development of Health Reimbursement Arrangements (HRAs) and Health Savings Accounts (HSAs). These consumer driven health plans are a creative, yet conservative, approach to healthcare that can provide advantages to both employers and employees. Utilizing these plans and proper analysis, design, and employee education, companies are often enjoying up to a 25% savings on health plan costs while maintaining, and often increasing, benefits to their employees.

As we engage in discussions of Social Security solvency and retirement planning, one of the most critical areas of concern for retirees is healthcare and the ability to plan for health problems that occur. Long Term Care covers assistance that an individual may need if ever faced with a chronic illness or disability for an extended period of time. It is estimated that by the year 2020, 12 million older Americans will be in a position where they will be dependent on a caregiver; nursing home or family members and friends.

While much has been written on these subjects, it tends to be too general to be of value to many business owners. In an effort to help explain these new and exciting options and make them more accessible, ACI is sponsoring a co-presentation by *Jim Iacometti* of *Benefits Matrix*, and *Ed Mehren* of *Strategic Benefits Group*.

This seminar will be held on Tuesday, July 26, from 9:00 a.m. to 12:00 p.m.
Courtyard Marriot-Torrance/Palos Verdes, 2633 Sepulveda Blvd. Torrance, CA, 90505 310-533-8000
Breakfast will be available

There is no charge to attend. Seating is extremely limited, so please RSVP at your earliest convenience by contacting Lace Greene at (310) 212-2600, extension 204 or by e-mail at lace.greene@acibenefits.com.

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