



FBA NEWS NOTES

NEWS AND INFORMATION ON EMPLOYEE BENEFIT PLANS

Benefit-Related COLAs For The Year 2001

Defined Contribution Limit Increase to \$35,000
Compensation Limit Remains at \$170,000
401(k) Limit Remains at \$10,500

The limits on annual compensation that can be taken into account for a plan under IRS Code Section 401(a)(17) and Code Section 404(l) when calculating a participant's benefit for the year will remain at \$170,000 under 2001 cost-of-living adjustments (COLAs), however the annual Defined Contribution Limit has increased to \$35,000, according to figures released November 20th by IRS. The new dollar limitations announced by IRS, compared with the 2000 figures, are as follows:

MAXIMUM DOLLAR LIMITS

	2000	2001
401(k) Elective Deferrals	\$10,500	\$10,500
Annual Defined Benefit Plan	\$135,000	\$140,000
Annual Defined Contribution Limit	\$30,000	\$35,000
Annual Compensation Limit	\$170,000	\$170,000
Government Plans	\$275,000	\$285,000
457 Plan Limits	\$8,000	\$8,500
Highly Compensated Employee	\$85,000	\$85,000
SIMPLE Plan Deferrals	\$6,000	\$6,500
SEP Coverage	\$450	\$450
SEP Compensation	\$170,000	\$170,000
Tax Credit ESOP Maximum Balance	\$755,000	\$780,000
Amount for the Lengthening Of a 5-Year ESOP Period	\$150,000	\$155,000

Social Security Benefits/Taxes To Increase in 2001

Social Security benefits, beginning with checks received by beneficiaries in January 2001, will increase by 3.5%. The cost-of-living adjustment represents a rise of 1.1% from the 2.4% implemented in 2000.

As a result of the cost-of-living adjustment, the average monthly Social Security benefit for retirees should increase in 2001 to \$845 from \$816. The maximum Social Security benefit for an employee retiring at age 65 in January of 2000 and 2001 will increase to \$1,536 per month from \$1,433 per month.

Increase In Taxable Wage Base Means Higher Taxes For Employees

Accompanying the increased Social Security benefits in 2001 will be an increase in the maximum amount of an employee's earnings that is subject to Social Security tax. As a result of the increase in the Taxable Wage Base from \$76,200 to \$80,400, an employee's Social Security taxes and the amount that must also be remitted by an employer will increase by \$260.40 each in 2001. For self-employed workers, the increase will be \$520.80. This amount does not include the Medicare 1.45% tax which is not subject to the wage base ceiling and is assessed on all earnings.

More Retirement Earnings Exempt in 2001

Social Security recipients may retain a larger amount of their earnings in 2001 without risking the loss of Social Security benefits. Most notably, the Retirement Earnings Test has been completely eliminated for individuals age 65-69. The maximum amount of earnings that an individual may receive without losing Social Security benefits will increase to \$10,680 (\$890 per month) from \$10,080 (\$840 per month), for individuals between ages 62-64, and to \$25,000 (\$2,084 per month) from \$17,000 (\$1,417 per month) for an individual age 65, but only for months prior to the one in which the individual actually attains age 65.

PSCA Releases 43rd Annual Survey of Profit Sharing and 401(k) Plans

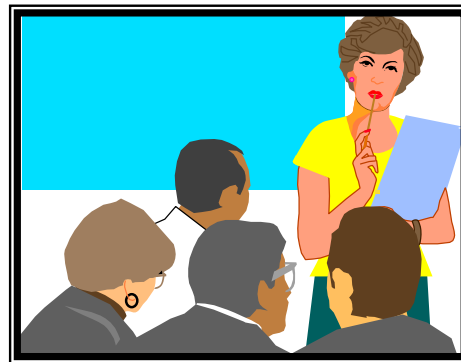
The Profit Sharing/401(k) Council of America (PSCA) recently released its *43rd Annual Survey of Profit Sharing and 401(k) Plans* reflecting the 1999 plan experience of 806 plans with over 2.2 million participants and more than \$211 billion in plan assets. Of the plans participating in the survey, 89 were profit sharing plans, 423 were 401(k) plans, and 294 were combination plans. Combination plans are generally funded by participant contributions and non-matching company contributions.

Company Contributions

In 1999, company contributions were at 8.6% for profit-sharing plans, according to the survey. The average 401(k) company contribution was 3.3% of annual payroll. Companies appear to be shifting from making matching contributions on an annual basis to making them on a payroll period basis. Company contributions averaged 25.9% of total net profits for profit sharing plans and 14.1% of total net profits for 401(k) plans. In addition to 401(k) plans and profit sharing plans, 22% of the companies responding also offered a defined benefit plan to their employees.

Participant Contributions

The survey results indicated that salaried workers were eligible to participate in 97.2% of all plans. Hourly workers were permitted to participate in 87% of all plans and part-time workers were allowed to participate in 47.1% of all plans. According to the survey, 82.5% of eligible employees have balances in their 401(k) plans. *Participation in 401(k) plans was reported at 88.5% when plans offered both a fixed match and a discretionary match, while plans that did not offer matching company contributions had 73% participation.* Nearly 97% of the companies responding allowed participants to determine how their contributions were invested. In addition, 83.4% of plans permitted participants to determine the investment of company contributions.



Plan Loans and Withdrawals

According to the PSCA survey, plan loans continue to be a popular feature in plans permitting participant contributions. Loans were available in 82.4% of 401(k) plans, 37.6% of profit sharing plans, and 81.8% of combination plans. In plans that permitted loans, an average of 25% of the participants had loans outstanding. Hardship withdrawals were allowed in 89.8% of 401(k) plans, 31% of profit sharing plans and 80.7% of combination plans.

Copies of Survey Available

Copies of PSCA's *43rd Annual Survey of Profit Sharing and 401(k) Plans* are available for \$195 for non-members and \$75 for PSCA members. For questions regarding the PSCA survey contact (312) 441-8550 or visit psca@psca.org.

IRS Issues Standard Mileage Rates for 2001

The IRS has released standard mileage rates for use in computing the deductible costs of operating an automobile for business, charitable, medical or moving expense purposes in the year 2001. The standard mileage rate for business use of an automobile has been increased from 32.5 cents per mile in 2000 to 34.5 cents per mile in 2001. The rate for use of an automobile for charitable purposes is 14 cents per mile, unchanged from the rate applicable in 2000. The rate for use of an automobile for medical and moving expense purposes has been increased to 12 cents per mile, up from 10 cents per mile in the year 2000.

Plan Alert!!

Revenue Procedure 2000-27 provides that all non-governmental plans will need to be amended for GUST by December 31, 2001. GUST is the acronym for:

GATT – General Agreement on Tariffs and Trade

USERA – Uniformed Service Employment and
Re-employment Act of 1994

SBJPA – Small Business Job Protection Act of 1996

TRA – Taxpayer Relief Act of 1997

Fringe Benefit Administrators, Ltd. will be preparing these documents throughout the 2001 year. These documents will be sent to you for review and execution as completed. We will also be filing these plans with the IRS for a determination letter.

SPD Takes Precedence When Plan Documents Are Ambiguous

The U. S. Supreme Court has denied a petition for a writ of certiorari (Dkt. No. 99-1506) to review a decision of the U. S. Court of Appeals in St Louis (CA-8), which held that, where ambiguity exists between a disability plan's language and the summary plan description (SPD) relating to the amendment of benefits and the plan is only made available upon request, the SPD language is given precedence. (Barker v. Ceridian Corporation, CCH Pension Plan Guide ¶ 23,958P

Be Thankful

By Unknown Author

Be thankful that you don't already have everything you desire. If you did, what would there be to look forward to?

Be thankful when you don't know something, for it gives you the opportunity to learn.

Be thankful for the difficult times. During those times you grow.

Be thankful for your limitations, because they give you opportunities for improvement.

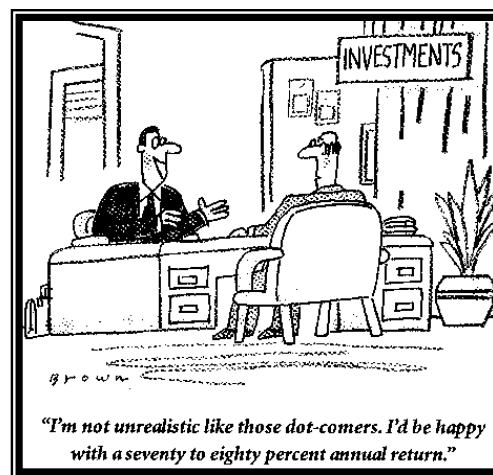
Be thankful for each new challenge, because it will build your strength and character.

Be thankful when you're tired and weary, because it means you've made an effort.

It's easy to be thankful for good things. A life of rich fulfillment comes to those who are also thankful for the setbacks.

Gratitude can turn a negative to a positive. Find a way to be thankful for your troubles, and they can become your blessings.

Do you remember when...



FULL SERVICE SUPPORT

FRINGE BENEFIT ADMINISTRATORS, LTD. (FBA) and its strategic alliance partners, delivers all of the features you need to make your plan a success:

Plan Design & Implementation

- ▲ Flexible Plan Design
- ▲ Installation / Conversion Support
- ▲ Plan Documents & Administrative Manual

Recordkeeping & Compliance

- ▲ Daily Account Valuation
- ▲ Timely, Consolidated Quarterly Statements
- ▲ INVEST-Tel / Telephone Account Access
- ▲ INVEST-Net / Internet Account Access
- ▲ Efficient Distribution & Loan Processing
- ▲ Compliance Testing & Government Reporting
- ▲ Newsletters & SuperStatements (Optional)

Education & Enrollment Support

- ▲ Educational Enrollment Materials
- ▲ On Site Enrollment Meetings
- ▲ Ongoing Participant Communications

Varied Investment Options

- ▲ Virtually Unlimited Mutual Fund Selection
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- ▲ LIFESTYLE "Model Portfolios" (Optional)

Trustee & Custodial Services

- ▲ Complete Trustee / Custodial Services
- ▲ Tax Withholding & Reporting

WHO TO CALL

For information concerning items in this newsletter, or information about our services, please call one of the following people. They will be pleased to assist you.

- ▲ **Your Plan Administrator**
- ▲ **Dick Watson - Ext. 1030**
- ▲ **J. R. Piper - Ext. 1037**
- ▲ **Steve Cranfield - Ext. 1024**
- ▲ **Ed Dorman - Ext. 1010**

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