



Third Party Administrators / Independent Consultants
Improving benefit plans since 1955

3/17/2005

Re: Mandatory Distribution Amendment IRA's

The purpose of this letter is to bring you up to date on matters relating to your qualified plan. We are adopting the attached amendment on a sponsor level, that means AEBS is executing and activating this amendment **Article II** and **you are not required to sign**, and **Article III will remain blank**. Simply place this amendment in your plan binder.

The scope of this change is very limited, in that it only applies:

- if a terminated participant fails to elect a distribution option,
- the plan calls for "Involuntary Distributions", and
- the distribution is over \$1,000.00 under \$5,000.

Most of our plans DO NOT have the "Involuntary Distributions" provision.

New automatic IRA rollover requirements have been put in effect for plans that require "Involuntary Distributions". The plan sponsor is required to place that money in an sponsor selected IRA. We believe that the potential problems out weigh any benefit. The amendment we are adopting will eliminate "Involuntary Distributions" for amounts over \$1,000.00, so even our plans that have "Involuntary Distributions" will be exempt from the new IRA requirement.

If you desire to make a different election, you will need to contact me for additional forms.

Please call if you have any questions, it is a great time to review your plan design.

Sincerely,

James T. Schlotman

James T. Schlotman, J.D., C.O.O.
Actuarial & Employee Benefit Services Co.
Enclosures

Sponsor – lower cash-out threshold

MANDATORY DISTRIBUTION AMENDMENT
(Code Section 401(a)(31)(B))

ARTICLE I
APPLICATION OF AMENDMENT

- 1.1 Effective Date. Unless a later effective date is specified in Article III of this Amendment, the provisions of this Amendment will apply with respect to distributions made on or after March 28, 2005.
- 1.2 Precedence. This Amendment supersedes any inconsistent provision of the Plan.
- 1.3 Adoption by prototype sponsor. Except as otherwise provided herein, pursuant to authority granted by Section 5.01 of Revenue Procedure 2000-20, the sponsoring organization of the prototype hereby adopts this amendment on behalf of all adopting employers.

ARTICLE II
DEFAULT PROVISION: LOWER MANDATORY CASH-OUT
THRESHOLD TO \$1,000

Unless the Employer otherwise elects in Article III of this Amendment, the provisions of the Plan for the mandatory distribution of amounts not exceeding \$5,000, are amended as follows:

The \$5,000 threshold in such provisions is reduced to \$1,000 and the value of the Participant's interest in the Plan for such purpose shall include any rollover contributions (and earnings thereon) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

ARTICLE III
EMPLOYER'S ALTERNATIVE ELECTIONS

3.1 () **Effective Date of Plan Amendment**

This Amendment applies with respect to distributions made on or after _____ (may be a date later than March 28, 2005, only if the terms of the Plan already comply with Code Section 401(a)(31)(B)).

3.2 () **Election to implement automatic IRA rollover rules**

- a. () IRA rollover of amounts over \$1,000. In lieu of the default provision in Article II of this Amendment, the provisions of the Plan concerning mandatory distributions of amounts not exceeding \$5,000 are amended as follows:

In the event of a mandatory distribution greater than \$1,000 that is made in accordance with the provisions of the Plan providing for an automatic distribution to a Participant without the Participant's consent, if the

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Participant does not elect to have such distribution paid directly to an “eligible retirement plan” specified by the Participant in a direct rollover (in accordance with the direct rollover provisions of the Plan) or to receive the distribution directly, then the Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator.

- b. () IRA rollover of amounts over and under \$1,000. In lieu of the default provision in Article II of this Amendment, the provisions of the Plan concerning mandatory distributions of amounts not exceeding \$5,000 are amended as follows:

In the event of a mandatory distribution that is made in accordance with the provisions of the Plan providing for an automatic distribution to a Participant without the Participant's consent, if the Participant does not elect to have such distribution paid directly to an “eligible retirement plan” specified by the Participant in a direct rollover (in accordance with the direct rollover provisions of the Plan) or to receive the distribution directly, then the Administrator shall pay the distribution in a direct rollover to an individual retirement plan designated by the Administrator.

3.3 () **Election to modify mandatory distribution threshold (may not be elected if 3.2 above is elected)**

In lieu of the default provision in Article II of this Amendment, the provisions of the Plan that provide for the involuntary distribution of vested accrued benefits of \$5,000 or less, are modified as follows:

- a. () No mandatory distributions. Participant consent to the distribution shall now be required before the distribution may be made.
- b. () Reduction of threshold to amount less than \$1,000. The \$5,000 dollar threshold in such provisions is reduced to \$_____ (enter an amount less than \$1,000) and the value of the Participant's interest in the Plan for such purpose shall include any rollover contributions (and earnings thereon) within the meaning of Code Sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).

Except with respect to any election made by the employer in Article III, this Amendment is hereby adopted by the prototype sponsoring organization on behalf of all adopting employers on March 1st, 2005.

Sponsor Name: Actuarial & Employee Benefit Services Co.

By: James T. Jello

NOTE: The employer (and any Participating Employer) only need to execute this Amendment if the employer has made an election in Article III herein.

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This amendment is executed as follows:

Name of Plan: _____

Name of Employer:

By: _____ Date: _____
EMPLOYER

Name of Participating Employer: _____

By:

PARTICIPATING EMPLOYER

DATE

Name of Participating Employer: _____

By:

PARTICIPATING EMPLOYER

DATE