



Plan Administrators, Inc.

“GUST” AMENDMENTS

GUST stands for:

GATT (General Agreement on Tariffs and Trade – part of the Retirement Protection Act of 1994)

USERRA (Uniformed Services Employment and Reemployment Rights Act of 1994)

SBJPA (the Small Business Job Protection Act of 1996)

TRA '97 (Taxpayer Relief Act of 1997), and the IRS Restructuring and Reform Act of 1998

The plan documents adopting these laws must be effective January 1, 1997. Plan documents, such as the ones sponsored by MVP Plan Administrators, Inc. are to be amended no later than December 31, 2001 for plan years beginning January 1, 2001.

HIGHLIGHTS

GATT:

- For defined benefit plans generally more favorable interest rates and mortality tables for determining lump sum distributions.
- For defined contribution plans sets increments in cost of living increases in the \$30,000 415 limit (i.e., the 415 limit rises in \$5,000 increments).

USERRA:

- Military service now counted under special rules.
- Loan payments may also be suspended during military service.

SBJPA: Largest impact on retirement plans.

- New definition of Highly Compensated Employee - HCEs are now either more than 5% owners in the current or prior plan year or employees in the prior plan year who earned more than \$80,000 (as adjusted for COLA increases) and, if elected, were in the top 20%.
- ADP/ACP testing changes allow for more flexibility.
- Required Minimum Distributions are not required for employees other than 5% owners who remain employed past 70½.
- 415 compensation includes deferrals made to a 401(k) or 457 plan.
- 415(e) limits for defined benefit and defined contribution plans are repealed.
- Establishment of Safe Harbor and SIMPLE 401(k) plans.
- Family aggregation rules repealed for purposes of determining HCEs and compensation limits.
- More favorable definition of "leased employee".
- Tax exempts can have 401(k) plans.
- Waiver of the thirty day period required for election of an annuity (to seven days).
- 457 plans required to have a trust.

TRA '97:

- Raises \$3,500 involuntary cash out limit to \$5,000.
- Allows a plan to debit the account of a fiduciary if there is a judgment of wrongdoing against the plan.

IRS Restructuring Act:

- Hardship distribution of elective deferrals is no longer an "eligible rollover" and is therefore not subject to mandatory 20% withholding.
- No early withdrawal penalty for IRS levy on a qualified plan.

Retirement Plan Administrators & Consultants