CLIENT ALERT

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MARCH 2005

Immediate Action Needed Concerning Automatic Rollovers of Cash-Outs

Most qualified retirement plans, such as profit sharing and 401(k) plans, automatically distribute account balances of less than $5,000 upon a participant's separation from service (a "cash-out"). The 2001 tax law known as "EGTRRA" includes a provision requiring that any cash-out in excess of $1,000 be distributed to an individual retirement account ("IRA") unless the participant affirmatively elects to have the distribution transferred to a different IRA or qualified plan (such as of his new employer). The Internal Revenue Service ("IRS") has just published a Notice concerning these automatic rollover requirements, which requires immediate action as follows:

If your plan provides for mandatory cash-outs you must:

1. **Chose your compliance strategy:**
   (a) Adopt automatic rollovers.
   (b) Eliminate mandatory cash-outs.
   (c) Reduce mandatory cash-out limit to $1,000.
2. **Amend your plan to reflect your compliance strategy:** Your plan must be amended by the last day of the plan year ending on or after March 28, 2005. *This could be as early as March 31, 2005 for plans on an April - March fiscal year.*
3. **Communicate with your administrative service provider:** Third-party administrators must prepare to implement your compliance strategy beginning March 28, 2005.
4. **Communicate with plan participants:** Participants must be provided advance notice whichever strategy is chosen.

FAILURE TO COMPLY WITH THE AUTOMATIC ROLLOVER RULES WILL DISQUALIFY YOUR PLAN.

Flaster/Greenberg's Employee Benefits Practice is ready to help you decide what to do and quickly implement your solution.

For more information, please contact:

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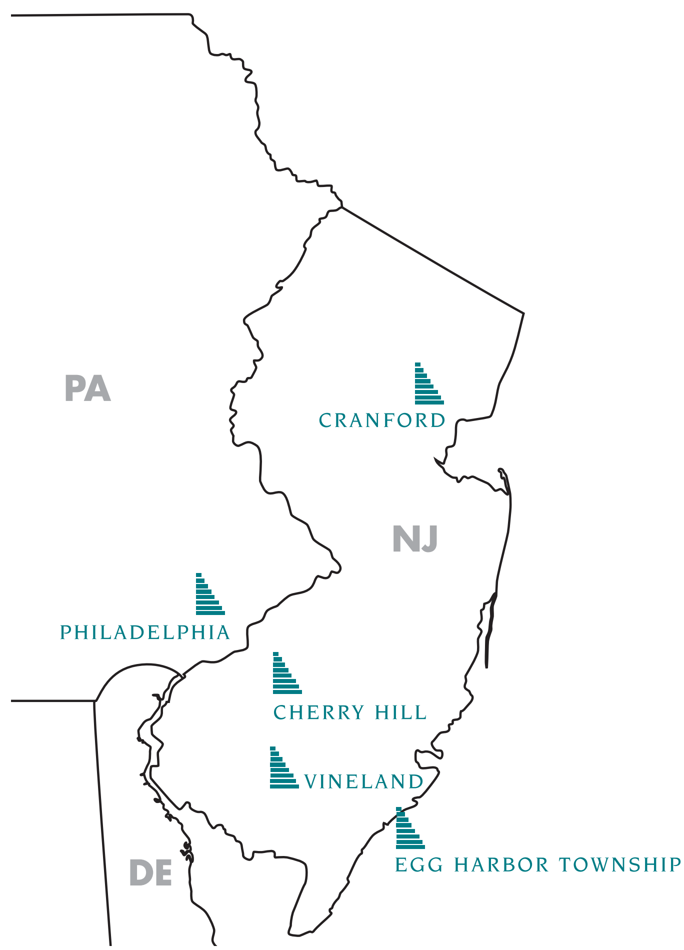

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