

Mission Statement

The Pangburn Company, Inc. is a *fee-for-service* TPA (Third Party Administrator) dealing exclusively with nonqualified executive fringe benefit plans. We administer plans for a diverse clientele ranging from small closely-held family businesses to international Fortune 500 companies. Our clients can be found in all fifty states and represent a broad cross section of the global economy. Our primary objective is to provide you and your clients with accurate and useful information, on a timely basis, at a reasonable cost. As a TPA we have formed a number of strategic alliances with major life insurance carriers, mutual fund wholesalers, accounting firms, banks, producer groups, brokerage houses, and executive benefit specialists. We have combined experience with technology to provide you and your clients with state-of-the-art plan administration at a reasonable cost.

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The information in this publication is for general use and should not be applied to individual situations unless carefully coordinated with professional financial advice.

The Pangburn Company, Inc.

THE TOP HAT EXEMPTION

WHAT: An alternative method of compliance with the reporting and disclosure requirements of Part 1 of Title I of the Employee Retirement Income Security Act of 1974 for “unfunded or insured pension plans maintained by an employer for a select group of management or highly compensated employees . . .”

WHY: 29 CFR 2520.104-23 (alternative method of compliance for pension plans for certain selected employees) requires filing a statement with the Secretary of Labor that includes the name and address of the employer, the employer tax identification number, a declaration that the plan is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees, and a statement of the number of such plans and the number of employees in each.

WHEN: The statement shall be filed within 120 days after the plan becomes subject to Part 1.

WHERE: Statements may be filed with the Secretary of Labor by mailing them to: Top Hat Exemption, Pension and Welfare Benefits Administration, Room N-5644, U.S. Department

of Labor, 200 Constitution Avenue NW, Washington, DC 20210.

WHAT IF: A company sponsors a plan that has been in effect more than 120 days, but did not know or forgot to file. A “Delinquent Filer Voluntary Compliance Program” was established in 1995 to address this situation. The solution is to complete the first page of the Form 5500 Annual Report and pay a fine of \$2,500. The internal Plan Administrator is personally liable for the payment of civil penalties assessed and may not use plan assets to pay the fine. Failure to comply can result in civil penalties of up to \$1,000 per day!

WHO: Since 1975, 54,435 businesses have filed 87,674 plans covering 1,113,163 participants. Over the last 10 years new plans have been filed at the rate of 3-4,000 per year covering between 50 and 70,000 participants. 59,618 plans (68%) have 25 or fewer participants while (53%) 46,580 plans have 5 or fewer participants. About 4% of the 1,190,977 U.S. businesses with 10 or more employees have a plan, leaving the remaining 96% as possible prospects.

COMPANY NEWS

WELCOME Hartford Life

Effective April 1, 2002, Hartford Life has joined our family of Preferred Carriers. As a TPA we provide administrative services to agents and brokers of over 30 major insurers, but our Preferred Carriers also receive our highest priority response, guaranteed fees, and certain proprietary services. At this time, our other Preferred Carriers include: Guardian, John Hancock, ING Security Life, Manulife Financial, MassMutual, Minnesota Life, Nationwide, New York Life, Northwestern Mutual Life, Pacific Life, Penn Mutual, Phoenix Life, Prudential, Sun Financial and Union Central.

NEW ASSOCIATES

Joining us as an Account Executive, Lisa DeBosier received her BA degree from

Louisiana State University in 1990 and a Masters in Business Administration in 1993. Lisa has a strong background in Human Resources and management.

We have also added three new Data Team Leaders: Gidget Bordelon and Jeanie Andre, recent graduates of Louisiana Technical College, and Candace Major who will complete her studies there next year.

NEW SERVICES

(1) Worried about tracking former employees still insured under COLI? We now offer Social Security Sweeps!

(2) Need to check if a client or prospective client has filed for a Top Hat exemption with the Department of Labor? We have filing records from 1975 through 2001. We can also sort by plan size and location . . . a pretty effective way to prospect!

Planning Briefs

BONUSES CUT FOR 2002

A recent survey of 350 companies indicates that 40% of employers plan to make major cuts in executive bonuses for 2002. 33% plan to cut bonuses by more than 25% and 10% plan no bonuses at all.

PLR 200133047 & PLR 200227047

More evidence that deferred compensation dressed like a 419A plan is still deferred compensation!

FAS87 ASSUMPTIONS BY FORTUNE 100s

Avg. Discount Rate			Avg. Salary Scale		
2000	1999	1998	2000	1999	1998
7.50	7.70	6.75	5.00	5.00	4.71

Worthy Web Sites

Good Summary of Retirement Plans
www.adp401k.com

Articles and Alerts
www.rbvdnr.com/eb/articles.htm

Good Site for Small Businesses
www.smallbusiness.com

Help With Business Valuation
www.businessbookpress.com

Compensation & Benefits News
www.benefits.net

Document Design 101

THE SUICIDE CLAUSE

If your client's NQDC plan has a pre-retirement death benefit indirectly funded by COLI, you should coordinate the plan benefit(s) with the policy provision covering suicide. *"In the event the Executive shall die prior to mm/dd/ccyy, and that such death is the result of suicide, then and only in such event, the death benefits provided by this Article shall not be payable."*

Technology Tips

INSIGHT CONNECTOR

Many corporations use Microsoft Outlook as the e-mail, calendar, and collaboration software package for their employees. While not perfect, it seems to have most of the features users are looking for, is fairly easy to use, and has widespread acceptance. However, in order to take full advantage of Outlook's collaborative features including task assignment, shared folders, and scheduling, an additional program called Microsoft Exchange Server is required. Exchange Server works by coordinating and synchronizing information among the individual copies of Outlook.

Unfortunately, Exchange Server runs only on Windows server platforms and it is pricey. The basic version of Exchange 2000 (about \$700) requires Windows 2000 Server (about \$1200) or Advanced Server (about \$4000) in addition to a client license for each machine (about \$70 each).

Recently a company called Bynari (www.bynari.com) released a product called Insight Connector, which runs in conjunction with Outlook (as a plug-in) and can trick Outlook into using programs other than Exchange as a server.

Insight Connector costs about \$39 per client license and can work with any server that employs the open standard Internet Mail Application Protocol (IMAP) with Access Control Lists (ACLs). Bynari markets their own IMAP server for \$600, which includes 25 client licenses, but Insight Connector will even work with the free, open source Cyrus IMAP server (sg.web.cmu.edu/cyrus/).

In summary, Bynari Insight Connector offers a very economical alternative to Microsoft Exchange Server and allows you to choose a server platform other than Windows.

Case of the Quarter

Industry Group: Franchise Fast Food

Number of Participants: 35

Plan Type: 401(k) Mirror (Takeover)

Contributions:

Employee Salary Deferral

Employer Discretionary

Informal Funding: COLI VUL

Underwriting: Guaranteed Issue

Primary Motivation for Sale: Prior Plan was Poorly Administered

Plan Features:

- Age 55 with 15 Years Participation
- Separate Vesting for EE and ER
- Two Classes of Pre-Retirement Death Benefit(s)
- In-Service Distributions
- Annual Premium \$600,000

Quotable Quotes

"As a third party administrator of retirement plans we are acutely aware of the importance of responsive professional service. The Pangburn Company is the backbone of our client service in the nonqualified plan marketplace. Documents, FASB calculations, participants' statements, benefit calculations, etc. are all professionally and timely prepared. Most importantly, we trust and enjoy our business relationship for consulting services especially in this marketplace where government regulations are minimal."

Joseph Bonasera, President
Summit Financial Corporation
Lexington, MA

Index	2001									2002		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Short-Term AFR	4.63	4.25	4.15	4.07	3.94	3.82	3.58	2.73	2.48	2.73	2.74	2.69
Mid-Term AFR	4.94	4.77	5.02	5.12	4.99	4.82	4.59	4.13	3.97	4.49	4.63	4.52
Long-Term AFR	5.43	5.43	5.75	5.82	5.72	5.57	5.39	5.31	5.05	5.46	5.60	5.48
Section 7520	6.00	5.80	6.00	6.20	6.00	5.80	5.60	5.00	4.80	5.40	5.60	5.40
Federal Funds	5.30	4.61	4.14	4.11	3.79	3.66	3.02	2.61	2.05	1.92	1.77	1.78
T-Bill (One Year)	4.10	3.91	3.67	3.74	3.56	3.55	2.47	2.10	2.08	2.28	2.22	2.33
T-Bill (Ten Year)	4.98	5.30	5.39	5.37	5.11	4.99	4.55	4.24	4.75	5.20	5.02	4.98
Moody's Aaa	7.08	7.26	7.22	7.20	7.06	7.03	7.14	6.75	7.01	6.70	6.50	6.61

(Rates which fluctuate daily are shown on or about the 1st day of the month)

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