

# CLIENT NOTICE

\*\*\*REVIEW AND KEEP FOR YOUR RECORDS\*\*\*

## REQUIRED MINIMUM DISTRIBUTIONS (RMD)

IRS Regulations require that minimum distributions to a Participant must begin by April 1<sup>st</sup> of the calendar year following the calendar year in which the Participant attains age 70 ½. After the first RMD, subsequent RMDs must be made by the December 31<sup>st</sup> of each year beginning with the calendar year containing the required beginning date. If elected in your plan document, this Regulation will only apply to over 5% Owners and non-owners that have terminated employment.

## ANNUAL IRS/DOL FORM 5500 FILING REQUIREMENTS

The Form 5500 filing is required to report information concerning employee benefit plans to the IRS and DOL. 5500 filings to the DOL are required to be signed and submitted electronically, the Form 5500EZ (1 Participant Plans) will continue to be mailed to the IRS. The deadline for filing the Form 5500 is generally the last day of the 7<sup>th</sup> calendar month following the close of the plan year, unless an extension has been granted. Penalties may be assessed or imposed in the event of incomplete filings or filings received after the deadline of \$1,100 per day.

## DOL ASSERTING BOND REQUIREMENTS

The Department of Labor is looking at plans that do not have fidelity bonds. Plans must be bonded for 10% of the plan's assets and should cost less than \$200. Plans with the owner as the only participant are exempt from this requirement. Contact your Insurance Agent or this link: [Colonial Surety Company](#)

## DEFINED CONTRIBUTION PLAN LIMITS

	2016 Plan Limits	2017 Plan Limits
<b>401(k) Limit</b>	100% of pay, up to \$18,000	100% of pay, up to \$18,000
<b>Age 50 &amp; Over 401(k) Catch-up</b>	\$6,000	\$6,000
<b>Individual Limit</b>	100% of pay, up to \$53,000	100% of pay, up to \$54,000
<b>Annual Compensation Limit</b>	\$265,000	\$270,000

A full table of limits is also available on our website: [TABLE OF VARIOUS LIMITS AND THRESHOLDS](#)

## 401(k) DEPOSITS

401(k) salary deferrals must be deposited within the same amount of time as the federal tax withholding deposit. Late deposits will result in lost earnings to be made up by the employer.

## ACTUAL DEFERRAL PERCENTAGE TEST

A 401(k) plan must pass an Actual Deferral Percentage (ADP) test. This test is designed to limit the extent to which deferrals made by the highly compensated employees may exceed deferrals made by non-highly compensated employees. If the plan fails the test, the excess funds must be returned to the participant as income within 2 ½ months following the end of the plan year to avoid a 10% excise tax on the employer.

## TOP-HEAVY MINIMUM CONTRIBUTION

If your plan is top-heavy (the total of the accounts of all key employees exceeds 60% of the total of the accounts of all employees), you are required to make a minimum contribution to non-key employees equal to the lesser of 3% of compensation or the highest contribution percentage rate for a key employee. This required contribution comes under the vesting schedule. You may also contribute the same percent for the key employees.

## SAFE HARBOR OPTIONS

An employer may choose to make a 100% vested contribution to employees to pass the ADP and top-heavy tests. Eligible employees, regardless of hours worked, including those who terminate before the end of the plan year, must receive this contribution. The safe harbor options include:

1. 3% of pay contribution to all non-highly compensated employees. 3% may also be contributed for highly compensated employees. Initial employee notification is 30 days prior to the 1<sup>st</sup> day of the plan year. Flexible designs also require a confirmation notice 30 days prior to the end of the plan year.
2. Match non-highly compensated employees \$1 for \$1 up to 3%, plus 50¢ on the \$1 from 3% to 5%. The highly compensated employees may receive the same match. Final employee notice is due 30 days prior to the 1<sup>st</sup> day of the plan year.

## RETIREMENT PLAN DISCLOSURE REGULATIONS

### Plan Service Providers Fee Disclosure (408(b)(2))

Covered Service Providers will provide to the Plan Sponsor annual communication of services rendered, fiduciary status, direct and indirect compensation received in excess of \$1,000. These annual disclosures are meant to provide plan sponsors with enough information to ensure that plan fees are reasonable.

### Participant Fee Disclosure Requirements (404(a)(5))

For plans that allow participant directed investments, a quarterly notice must be provided by the investment product reflecting the fees for the preceding quarter along with a description of the service. Fees actually charged against individual accounts for services to an individual rather than plan wide are disclosed on an Annual Notice for the following calendar year.