

HICKS NOTES

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MONITORING RETIREMENT PLANS

The plan sponsor/employer is responsible for ensuring that its retirement plan complies with the law in both form and operation. Accordingly, the plan sponsor should:

- communicate frequently with the plan's service provider to ensure that all relevant data is provided timely and accurately,
- review the plan document annually to ensure the plan is operating according to its terms,
- make the service provider and other relevant parties aware of any changes to the plan right away, and
- develop a communication mechanism for exchanging information with the service provider.

The service provider should also timely communicate with the plan sponsor to confirm the data is current, accurate and complete.

We recently came across this great article from the IRS with links and information on the responsibilities of maintain a retirement plan. Here it is reprinted in its entirety.

REVIEW YOUR CLIENTS RETIREMENT PLANS

Are you meeting with business clients this tax season? If so, ask them about their retirement plan. Here are a few questions you can use to get the conversation started.

Is your current plan right for your business?

Many businesses have plans that may be too complicated or don't meet their current goals and needs. Compare different types of plans using features like:

- required annual returns,
- required testing,
- using IRAs to fund your plan,
- allowing employer and employee contributions, or
- permitting plan loans and hardship distributions.

Do you know and understand your plan's terms?

Many employers aren't aware of their plan's terms and, therefore, have trouble operating it correctly. Make sure your client knows and understands:

- which employees are eligible to participate in the plan,
- how the plan defines employee compensation for purposes of contributions,
- the amount and timing of any required employer contributions,
- the type of notices that have to be provided to employees and when,
- any required nondiscrimination testing and when those tests have to be performed, and
- whether annual returns have to be filed.

Have you updated your plan for recent law changes?

Laws change and plans must be amended for new requirements. Assess the plan's compliance with:

- all current IRS requirements using the latest [Cumulative List](#) and [published guidance](#), and
- the Department of Labor's current rules and regulations.

Are there any new features you might want to add to the plan?

Employers may not be aware of plan features that could benefit their employees. For example, ask if they want to add [automatic enrollment](#), and [designated Roth accounts](#).

Are you operating your plan correctly?

Many employers fail to follow the law or the plan's terms, which can lead to plan disqualification - a disastrous result for both the employer and the employees! Review the plan to ensure that:

- employees are allowed to participate in the plan when they are eligible;
- the right amount of employee and employer contributions are made based on:
 - the plan's definition of compensation,
 - employee elections, and
 - the plan's terms;
- employee contributions are deposited on time (inform them of DOL's [7-day safe harbor period](#));
- loans and hardship distributions, if allowed by the plan, are administered properly, and
- employee notices are issued on time.

Use the [Fix-It-Guides](#) to find, fix and avoid common plan errors.

Are you taking advantage of free IRS resources?

Encourage your clients to [subscribe](#) to *Retirement News for Employers*, a free newsletter for employers, and inform your clients who use a pre-approved retirement plan about our [Pre-Approved Retirement Plans - Tips for Employers](#).

WHAT YOU NEED TO DO

Sponsoring a qualified retirement plan involves ongoing responsibilities, so keep the conversation open all year long!

Plan sponsors should alert their service provider of the error. Most plan mistakes can be corrected using [EPCRS](#). We can help you correct the mistake. The IRS also provides an additional resource to monitor your plan. Click here for [Internal Controls Protect Your Retirement Plan](#).

We will also review the design, documents and administration of any existing plan at no cost. As always, please contact us with questions.