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November 2016 By Tom Hicks, Attorney At Law

YEAREND CHECKLIST FOR PLAN SPONSORS AND ADVISORS

As the 2016 yearend closes, there are steps that need to be taken to assure your plans are meeting the required regulations under various laws. Below is a quick checklist to use so you are on track for any 2017 challenges.

DISTRIBUTE REQUIRED NOTICES TO PARTICIPANTS: Most notices are due on December 1st and explain what will happen in 2017. 401(k) Safe Harbor, Qualified Default Investment Alternative (QDIA), and Automatic Contribution notices needs to be distributed. On December 15th, Summary Annual Reports (SAR) notices are due. December 31st is the deadline for adding or starting a new plan along with required minimum distributions, correcting failed ADP/ACP tests and adopting some plan amendments. For a link to these notices and more, click here.

REVIEW PLAN ADMINISTRATION PROCESSES: Were deposits made timely? Did loans and distributions get processed properly and timely? Identify spouses, including same-sex, and make sure forms are signed with spousal consent. Keep participants and your internal people happy and you may minimize your risk of litigation.

Check to see if you have any participants turning 70 this year and make sure required minimum distribution (RMD) issues are resolved. Check that your fiduciary bond is updated and in force. The DOL has increased its audits and penalties. Can your plan pass an audit? Do this review and be ready should government agencies come looking? Click to review IRS and DOL audit request letters or our newsletter about audit traps.

REVIEW PLAN DESIGN: Can the employer afford what has been promised? Do they want a bigger or smaller contribution? Is the plan benefiting the right participants? By reviewing the current plan design, we will be able to better prepare the employer for 2016 and 2017 and make sure the plan is meeting their needs. In some cases, amendments may be made and new plans installed until December 31, 2016.

SCHEDULE AND HOLD EMPLOYEE MEETINGS: Most calendar year plans have January 1st entry dates. Now is the time to meet with new and existing employees to review their investment selections and amounts contributed to 401(k) plans. Good communication is the key to positive retirement outcomes. December is the perfect time to hold these meetings.

UNDERSTAND THE NEW FIDUCIARY RULE: This rule will require all investment advisors to sign a Best Interest Contract Exemption (BICE) with the plan sponsor, which will give the employer a state claim should an advisor not work in the best interest of the client. Identify who the fiduciaries are to your plan and make sure you have a BICE agreement in 2017. Ask the advisors what they plan to do about the new regulations and review their contracts. For our newsletter on BICE, click here.

REVIEW YOUR PLAN EXPENSES: Under the 408(b)(2) regulations, all trustees have a duty to review, benchmark and document the fees they pay to all providers. Many of the disclosures are complicated or buried in various agreement and prospectuses. Take the time to review each fee paid by the employer, the plan and its participants. Compare those to other similar service providers. They only need to be reasonable, not necessarily the cheapest. Make sure to document your process.

REVIEW THE PERFORMANCE OF YOUR PLAN'S ADVISORS AND ADMINISTRATORS: Are calls being returned? Is there turnover at the firm you work with? Did the plan run smoothly last year and were there issues with filings or operations? Are they inflexible and arrogant? Now is the time to make a change before you pay and begin work with your current advisors. Don't stay in a bad situation when better alternatives are available.

In conclusion, by hiring good competent people, these plans can run smoothly and efficiently. Companies change. Laws and regulations change. Technologies change. As long as you stay proactive and seek out the best people, these plans work great. Need help? CONTACT US HERE.