

Information Regarding Cycle 3 DC Restatement Process Defined Contribution Plans

Approximately every 6 years, the IRS requires most employer sponsored retirement plans to update their plan document through a process called “restating”. For 401(k) and other defined contributions plans, this new restatement is referred to as “Cycle 3”. The timeframe for restating the plan documents starts now and ends on July 31, 2022.

What is a plan restatement?

A restatement is a complete rewriting of the plan documents. It incorporates changes from any mandatory or voluntary amendments that have been adopted since the last restatement, which was called PPA.

Is the “Cycle 3” plan restatement mandatory or voluntary?

The upcoming plan restatement is mandatory. Plans that do not adopt a restated document by July 31, 2022 will be subject to IRS-imposed penalties, which in some circumstances could include revoking the plan’s tax-favored status.

Why do we have to restate our plan document?

Plan documents are drafted based on laws and regulations set forth by Congress, the IRS, and the Department of Labor. As those laws and regulations change, documents must be updated to reflect those changes. Since the last restatement, there have been several changes impacting retirement plans including the following:

- Expansion of the definition of “spouse” to include those of the same gender,
- Availability of plan forfeitures to offset certain additional types of company contributions,
- Ability to amend safe harbor 401(k) plans once the year has already started, and
- Creation of in-plan Roth transfers.

How will NH Hicks help with your plan restatement?

The plan document forms the foundation of the plan and its compliant operation. This restatement should be more than simply transcribing the current provisions and adding the newly required language. We think this is a great opportunity to work with our clients to review the actual operation, company objectives, annual test results, etc. to see whether any changes can make the plan operate more efficiently and/or increase the plan’s value to the owner and their participants.

What does NH Hicks include with its plan restatements?

The plan document restatement package generally will include the following based on each plan’s provisions:

- Adoption agreement reflecting the specific provisions selected for the plan,
- Basic plan document which includes the detailed legal language describing each provision,
- Summary Plan Description booklet for distribution to plan participants,
- Signature pages PDF file that includes all pages requiring signatures, and
- Administrative policies and forms.

Conclusion

We will spend time with you to assure your new restated document reflects current company goals and takes advantage of any new options. As we get closer to the plan document release date, we will follow-up with additional information on the process.