

Cycle 3 Restatement Procedures

- 1) Create list of clients to be restated (oldest to newest). List will be put on the server in the “Temp for Sierra” Folder in “DC Cycle 3 Documents” Folder
 - a. Provide list to administrators for review
 - b. Administrators will provide notes
- 2) Provide List to Nui of invoice requests (Hicks Fees \$450 owner only/\$1050 full 401*/Discount for newer plans)
- 3) On June 1st 2021 email our initial letter notifying all 401(k) clients of process/deadlines/preference forms (signed by administrator)
- 4) Forms will be put on the website “DC Cycle 3 Restatement” quick link on home page, so everybody can view
- 5) As we receive Client Preference Forms from clients, we will forward them to Sam to update spreadsheet on server
- 6) Sam will request information from administrator
- 7) Once info is received, Sam (for sierra & administrators for Redding) will complete document
- 8) Once document is reviewed, complete changes and notify administrator for final review. Completed docs will be on the server.
- 9) Administrator gives Sam green light to send docs and copies Administrator on email
 - 11) Client will review and provide signature pages
- 12) Sam/Administrators to follow up on signature pages

Dear Client,

Beginning in 2021, the Internal Revenue Service requires all qualified defined contribution plans be restated on to a Cycle 3 document. This restatement updates your document for law changes since the last restatement (PPA) in 2012 or your initial adoption of a plan. The deadline to adopt a restated Cycle 3 document is July 31, 2022. The IRS will not require another restatement of your plan until approximately 2026.

Please find enclosed the following documents:

1. An information sheet explaining the PPA restatement process
2. Client Preference Form
3. Invoice, duplicate sent in mail

This is the perfect time to review your current plan. If you are interested in making changes to your plan, please email me or indicate this on the attached Client Preference Form. If we do not hear from you within a month, your document will be prepared with no changes. Terminating your plan will not relieve you of this obligation.

The charge for this restated document is \$XXX for traditional defined contribution plans. Upon completion, you will be emailed new administrative forms and procedures along with the updated documents for continued compliance. This expense may be paid by the company or from the trust of the plan. There are severe penalties for not restating.

Please review, complete, sign and return the Client Preference Form with a check in the amount indicated on the attached invoice.

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.

Cycle 3 Restatement Checklist

Below is the information we will need to restate your plan document.

Basic Client Information:

Company Name: _____

Contact: _____ Phone: _____

Address: _____

Fiscal Yearend: _____ Plan Yearend: _____

Type of Entity: C-Corp S-Corp Partnership Sole Proprietor
 LLC (taxed as Corp Partnership) Other: _____

Plan Name: _____

Are you interested in specific changes? No Yes Specify: _____

Do you have an active defined benefit plan? No Yes (we may need more)

Documentation:

- _____ Most Recent Adoption Agreement
- _____ Master Plan Document
- _____ Trust Document
- _____ All Amendments since adoption of plan document above
- _____ IRS Determination or Opinion Letter
- _____ Loan Policy, if applicable
- _____ Most recent Yearend Administration Report