

# Defined Benefit Plans

## Cycle 3 Restatement FAQs

Approximately every 6 years, the IRS requires most employer sponsored retirement plans to update their plan document through a process called “restating”. For Defined Benefit Plans, this new restatement is referred to as “Cycle 3” or “Post PPA”. The timeframe for restating the plan documents started April 1, 2023 and ends on March 31, 2025.

### **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. Your plan has been operating under the new rules, but now we must update the document to match prior years’ work.

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

The upcoming plan restatement is mandatory. Plans that do not adopt a restated document by March 31, 2025, 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, The Cycle 3 plan documents include:

- Expansion of the definition of “spouse” to include those of the same gender provided under the Defense of Marriage Act (DOMA).
- Limitation on interest rates provided by Highway & Transportation Funding Act (HATFA)
- IRC 401(a)(26) failsafe provision that automatically minimizes the cost of compliance to the lowest dollar amount possible.
- IRC 411(a)(13) regulations with respect to determining current benefits, payment of benefits and lump sum payments.
- Other items included in the 2020 Cumulative List of Changes within IRS Notice 2020-14.

### **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 with the 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 and loan policies along with forms.

### **Conclusion**

We will spend time with you to ensure your new restated document reflects current company goals and takes advantage of any new options.