

27th Annual  
**401(k) CLASS**  
**October 23, 2018**  
8:00 am-12:00 pm

CONFERENCE HOST & PRESENTER:

Tony Panagiotu  
Attorney, CPA  
President



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# Thank you 2018 Class Sponsors!

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## **Gold Level:**

John Hancock

Presenter: Thom Shola

American Funds

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## **Silver Level:**

The Standard

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Nationwide

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# SPONSORS

## GOLD LEVEL



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## SILVER LEVEL



**Nationwide**



# WHAT IS THE GOAL OF YOUR COMPANY'S RETIREMENT PLAN?

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Your Company's 401(k) Plan MUST reflect the goals of your Company.

## Goals = Plan Design

- ⇒ **Recruitment**
- ⇒ **Retention**
- ⇒ **Tax Savings**
- ⇒ **Targeted Contributions for:**
  - **Owners/Partners**
  - **Specific Employees**
  - **ALL Employees**

# **WHAT GOVERNMENT AGENCIES HAVE OVERSIGHT OF QUALIFIED RETIREMENT PLANS?**

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⇒ **The Internal Revenue Service**  
**[www.irs.gov](http://www.irs.gov)**

⇒ **The Department of Labor**  
**[www.dol.gov](http://www.dol.gov)**



**NOTE: BOTH AGENCIES CAN AUDIT RETIREMENT PLANS**

# **INTERNAL REVENUE SERVICE**

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- ⇒ **Jurisdiction - Qualified Status of Retirement Plans**
- ⇒ **Document Requirements**
- ⇒ **Discrimination Testing**
- ⇒ **Deduction Limits, Eligibility, Vesting, etc.**
- ⇒ **Very Objective Standards**



Department of the Treasury  
**Internal Revenue Service**

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# DEPARTMENT OF LABOR

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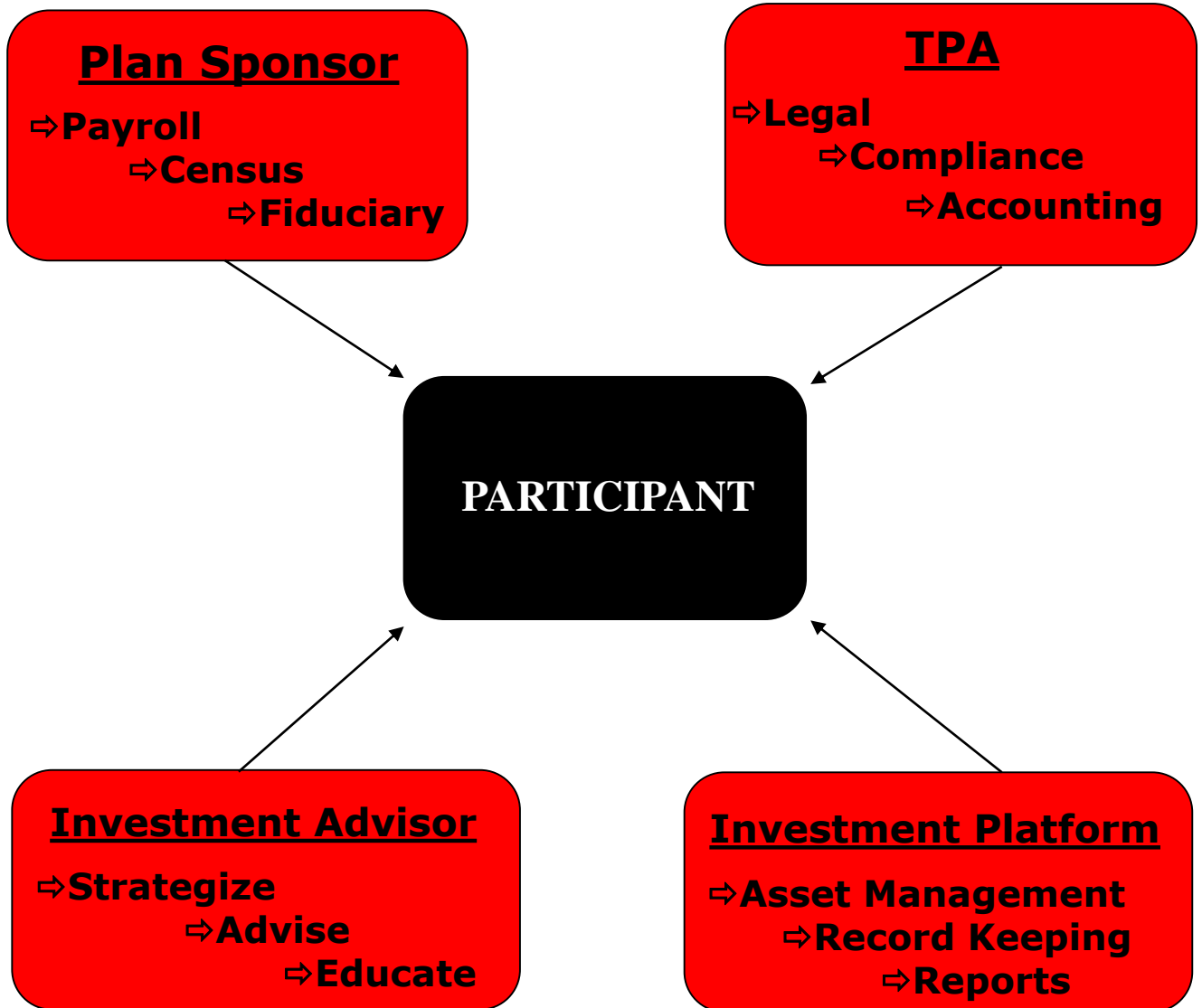
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- ⇒ **Fiduciary Standards**
- ⇒ **Reporting and Disclosure Requirements**
- ⇒ **Participant's Rights**
  - Late Deposits
  - Fees, etc.
- ⇒ **Cannot Disqualify a Plan but can Levy Fines**
- ⇒ **Very Subjective Standards**





# WHO DOES WHAT? THE 401(k) TEAM



## WHO DO I CALL FOR QUESTIONS ?

- How to Deposit Contributions? . . . . . CONTACT INVESTMENT PLATFORM
- What should I invest in? Rollovers? . . . . . CONTACT INVESTMENT ADVISOR
- Plan Operations - Who is Eligible? . . . CONTACT PANAGIOTU PENSION ADVISORS

# SECURITY ISSUES & 401(k) PLANS

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## 401(k) PLANS ARE UNDER ATTACK!

(Trillions of dollars are at stake!!)



### Participant or Trustee

- Identity Theft
- Cyberthreats
- Fraud

# **SECURITY ISSUES & 401(k) PLANS**

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## **What to do?**

### **Review Procedures & Practices**

- **Sending, receiving and storing Participant data**
- **Verify identity of all participants, beneficiaries or other interested parties involved with distributions**
- **Areas to watch—terminated employees, remote employees, former employees who had access to sensitive payroll data**

#### **Examples:**

- 1. The disgruntled former HR Director**
- 2. The “Fake” employee**

# SECURITY ISSUES & 401(k) PLANS

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## What to do?

1. **Develop a written Data Sharing policy.**
2. **Verify the identity of all employees or beneficiaries requesting distributions.**
3. **Work with PPA, your investment platform, and investment advisors to verify sensitive data.**



4. **Take on the attitude of “professional skepticism”.**

# **THE WHOLE TRUTH & NOTHING BUT THE TRUTH!**

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## **AS PLAN SPONSOR**

**YOU**

**Have certain obligations to make sure your Plan is in compliance.**

### **You must...**

- 1. Give us census data on ALL employees.**
- 2. Tell us if you have interrelated companies.**
- 3. Tell us of changes in your company or key personnel.**
- 4. Let us know if you forgot something. (We are on your side.)**

**Complete Information = Total Compliance**

# Employee Contributions

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How  
Much

When  
Due

Types



**The Power of a properly  
designed and understood  
401(k) Plan...**

**Let's look at some limits...**



# INDIVIDUAL LIMITS

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## Calendar year 2018: \$18,500

### Historic Deferral Contribution Limits

**TIP:**  
Check deferrals NOW to maximize



Calendar Year	Maximum Deferrals	
	401(k) 403(b)	Over 50 Catch-up Contribution
2018	18,500	6,000
2017	18,000	6,000
2016	18,000	6,000
2015	18,000	6,000
2014	17,500	5,500
2013	17,500	5,500
2012	17,000	5,500
2011	16,500	5,500
2010	16,500	5,500
2009	16,500	5,500
2008	15,500	5,000
2007	15,500	5,000
2006	15,000	5,000
2005	14,000	4,000
2004	13,000	3,000
2003	12,000	2,000
2002	11,000	1,000
2001	10,500	N/A



# INDIVIDUAL LIMITS

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**Same limits for  
403(b) plans  
(non-profit entities)**



**Same limits for section  
457 plans  
(government entities)**



**Limits adjust in \$500  
increments subject to  
cost of living increases**

# **CATCH-UP PROVISION**

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**Turning age 50 by the  
end of the Plan year?**

**If you are, you can defer  
an extra \$6,000  
(2018 Limit).**

# HOW MUCH CAN BE CONTRIBUTED TO A PLAN ANNUALLY?

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## (§415) of the IRS Code

Employee Contributions	+	Employer Contributions	+	Forfeitures	=	Annual Limit
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- **2018 Limit** - \$55,000 or 100% of compensation (\$61,000 if over Age 50)
- Indexed for inflation in \$1,000 increments

# When MUST Employee 401(k) Deferrals be deposited?

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**DOL/IRS  
Audit Issue!!**

**General Rule:**

**As soon as you can**

**“segregate the assets” or**

**in plain English...ASAP!**

**Regulations say...**

# WHEN ARE EMPLOYEE DEPOSITS DUE?

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## ⇒ **Safe Harbor time limit**

- Applies to plans with **fewer than 100** participants.
- **Timing** – 7<sup>th</sup> business day following the issuance of payroll.

⇒ **Generally on the earliest date possible, but in no event later than the 15th business day of the month following the date withheld.**

**Note:** If employees are paid twice a month, two separate deposits need to be made.

**Beware-Trap!**



# ROTH 401(k)

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**Effective January 1, 2006**



**Made permanent by the Pension Protection Act**



**After tax contributions**



**Tax-free growth**



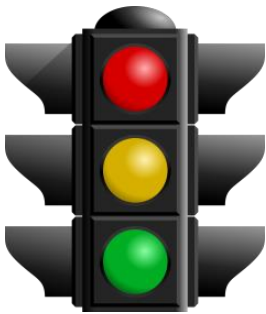
**Roth Conversions - Internal  
(effective January 1, 2013)**

# ROTH 401(k)



**(Runaway Deficits = Higher Taxes)**

**Under 35 → GO!**



**35 - 55 → Consider Some Roth**

**Over 55 → Only for Select Circumstances**

# **ROTH 401(k)**

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- ⇒ **Once rolled to Roth IRA,  
NO Required Minimum  
Distributions (Age 70-1/2)**
  
- ⇒ **May begin to withdraw funds  
at age 59-1/2 with 5 years of  
accumulation**



# ROTH EXAMPLES

Example 1:     Age 30  
                  \$200/month for 35 years  
                  7% Rate of Return  
                  Account accumulates TAX FREE  
                  Account Balance at age 65:

**\$331,770.00**

(Investment earnings = \$247,770)



# ROTH EXAMPLES

Example 2: Age 50  
Maximum per year until age 65 (\$24,000 -2017)  
7% Rate of Return  
Account Balance at age 85:  
**\$2,333,795.00**  
(Investment earnings = \$1,973,795)  
Balance passes INCOME TAX FREE to heirs



# ***PLAN DESIGN***

## **The nuts and bolts to your retirement plan**

- ⇒ **Ask questions to avoid plan design issues**
- ⇒ **Go for the best fit**

**We want to make sure everything is tightened down when you hit the 401(k) highway**



# PLAN DESIGN ISSUES

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Each Plan provision has a **COST**

- Internal
- External

**Examples of “Stealth” Costs**

- Too liberal eligibility
- Too many entry dates
- Short vesting schedules

**Non-traditional investments**

**Brokerage accounts**

**Too many withdrawal options**

**BUT Balance  
Costs vs. Benefits  
(goals)**

# **AUTOMATIC ENROLLMENT**

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## **HOW IT WORKS**

- ⇒ **Participants, as stated in the Plan document, automatically defer a set percentage unless they opt out**
  
- ⇒ **Must apply to everyone, however you can disregard current participants**
  
- ⇒ **Pitfalls**
  - **Employer must contribute if plan provisions are not followed**
  - **Must carefully monitor the payroll system**

# **AUTOMATIC ENROLLMENT**

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## **WHAT HAS TO BE DONE?**

- 1. Plan Document must be amended**
- 2. Adequate notice must be provided to employees**
- 3. Investment accounts must be set up**
  - Approved investments by the Department of Labor are:
    - » Life Style Fund
    - » Balanced Fund
    - » Professionally Managed Fund
    - » Target Date Fund

### **Qualified Default Investment Alternative (QDIA)**

- **Notice must be given to participants**

# AUTOMATIC ENROLLMENT

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## Different Versions:

- 1. Basic** - Just Pick a % (example 5%)  
- For New Enrollees or For All

- 2. Advanced** - Pick a BEGINNING % but increase the % each year up to a ceiling
- Example:
- |         |    |
|---------|----|
| Year 1  | 3% |
| Year 2  | 4% |
| Year 3  | 5% |
| Year 4  | 6% |
| Year 5+ | 7% |

# AUTOMATIC ENROLLMENT

## 3. Auto w/Required Employer Contribution Qualified Automatic Contribution Arrangement (QACA)

- ⇒ Set Auto Deferral @ at least 3%
- ⇒ 10% Maximum
- ⇒ Match at Least:
  - 100% of first 1%
  - 50% of the next 2%-6%
- ⇒ No Allocation Conditions for the Match
- ⇒ Vesting – 2 year Cliff
  - Year 1 0%
  - Year 2 100%
- ⇒ Cannot distribute for hardship
- ⇒ Notice goes to all eligible to defer
  - 30-90 days before the start of each year
- ⇒ Employees can opt out
  - 2<sup>nd</sup> Pay period AFTER notice **OR**
  - 1<sup>st</sup> pay date at least 30 days after notice

**Benefits:** No Discrimination Test & limited Top Heavy exclusions.  
(If the plan is only deferrals & QACA)



# **So, when do we let employees participate?**

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# ELIGIBILITY

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**Eligibility & Entry Dates are important to get right. They have a big impact on cost and Employee perception.**

**Choose wisely!!**

# **ELIGIBILITY**

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## **Taking eligibility to the “tips”**

- **Minimum age can be as high as 21.**
- **Waiting period can be one (1) year with vesting.**
- **Minimum hours can be as high as 1,000.**
- **Can exclude collective bargaining unit employees and non-resident aliens.**

# ELIGIBILITY

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**Which one is best for your company?**

**(Stealth Cost!)**

**Consider the mental health of your HR Director!!**

# **ELIGIBILITY**

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**Q: Can we exclude specific groups of employees?**

**(e.g., a division, a class of employees)**

**A: Yes, but with limitations.**

**We have to pass the IRS  
“Minimum Coverage Test”  
(More on that later)**

# ELIGIBILITY

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## What about **MULTIPLE** companies?

- **Controlled Groups**
- **Affiliated Service Groups**
- **Issues: Common Ownership or Services**



# ELIGIBILITY

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## EXAMPLE:

Person X owns 100% of two (2) unrelated companies.

⇒ What **CAN** you do?

Exclude one of them? Maybe.

⇒ What **MUST** you do?

Consider both for testing.

# ELIGIBILITY

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## EXAMPLE:

What must you look for?

**ASK** – “Do you own part of more than one company or do any family members?”

**Beware-Trap!**



**IF SO...  
CALL PPA!!!**





***HIGHLY  
COMPENSATED  
EMPLOYEES &  
COMPENSATION***

# HIGHLY COMPENSATED EMPLOYEES

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**You are a Highly Compensated employee if:**

- 1. You are a *GREATER* than 5% owner at any time during current *or* preceding Plan year**
  - Lineal attribution (spouse, children, parents...)

***OR***

- 2. Have compensation over \$120,000 in the previous year.**

# Compensation

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*Lions, Tigers and Bears...  
Oh my!*



# WHAT COMPENSATION IS USED FOR OWNERS?

C-Corp	W-2 Wages
S-Corp	W-2 Wages (not K-1) <i>More to Come</i>
Sole Proprietor	Schedule C Net Profit
LLC/PLLC	K-1 Self Employment Earnings

## Compensation Maximum

\$275,000 (2018)




## WE NEED ACCURATE DATA!

Everything we do for compliance revolves AROUND the data we receive from YOU. If you are not sure what we need...please call!

# WHERE DO YOU GET YOUR DATA?

## W-2 & Payroll Reports

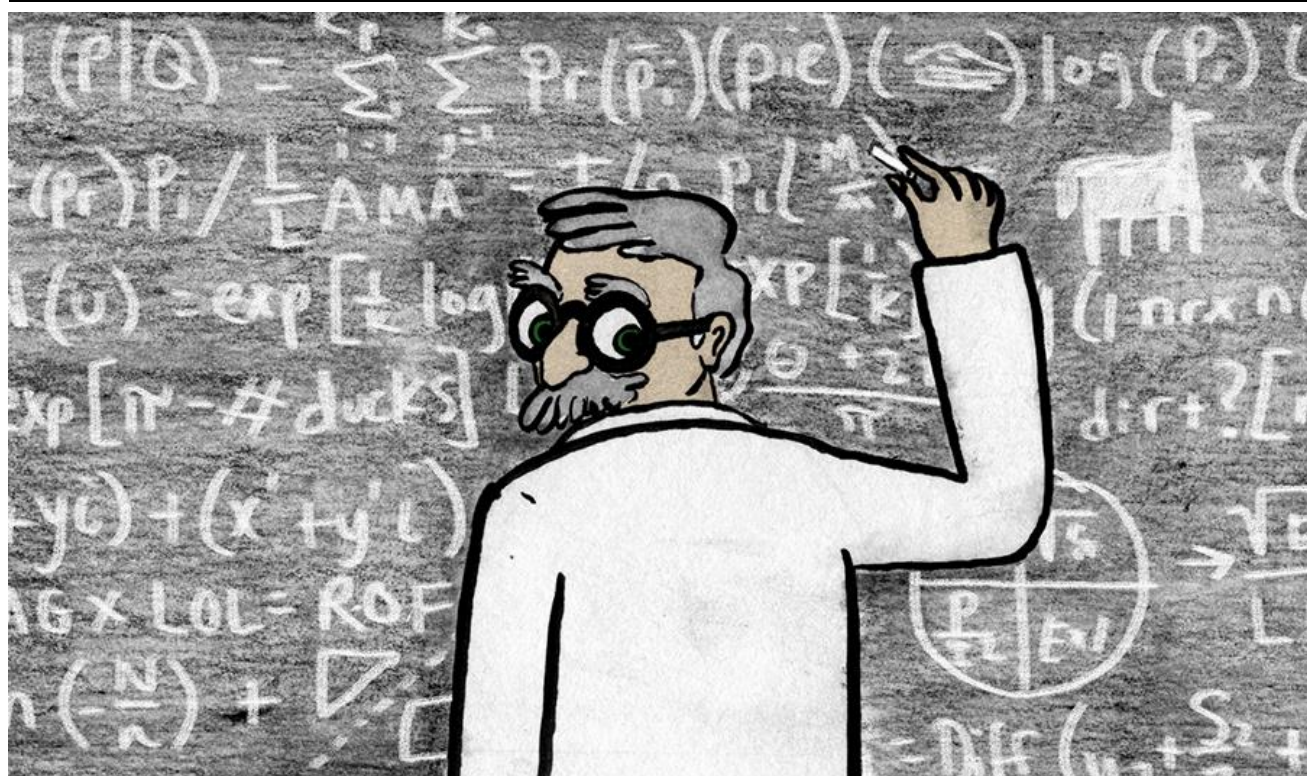
<b>a</b> Employee's social security number <b>123-45-6789</b>		Safe, accurate, <b>FAST! Use</b>				Visit the IRS website at <a href="http://www.irs.gov/efile">www.irs.gov/efile</a>	
<b>b</b> Employer identification number (EIN) <b>11-2233445</b>		<b>1</b> Wages, tips, other compensation <b>48,500.00</b>		<b>2</b> Federal income tax withheld <b>6,835.00</b>			
<b>c</b> Employer's name, address, and ZIP code  <b>The Big Company</b> <b>123 Main Street</b> <b>Anywhere, PA 12345</b>		<b>3</b> Social security wages <b>50,000.00</b>		<b>4</b> Social security tax withheld <b>3,100.00</b>			
		<b>5</b> Medicare wages and tips <b>50,000.00</b>		<b>6</b> Medicare tax withheld <b>725.00</b>			
		<b>7</b> Social security tips		<b>8</b> Allocated tips			
<b>d</b> Control number <b>A1B2</b>		<b>9</b>		<b>10</b> Dependent care benefits			
<b>e</b> Employee's first name and initial    Last name  <b>Jane A    DOE</b> <b>123 Elm Street</b> <b>Anywhere Else, PA 23456</b>		<b>11</b> Nonqualified plans Suff.		<b>12a</b> See instructions for box 12 <b>D</b>   <b>1,500.00</b>			
		<b>13</b> Statutory employee    Retirement plan    Third-party sick pay <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>		<b>12b</b> <b>DD</b>   <b>1,000.00</b>			
		<b>14</b> Other		<b>12c</b> <b>P</b>   <b>4,800.00</b>			
				<b>12d</b>			
<b>f</b> Employee's address and ZIP code							
<b>15</b> State    Employer's state ID number	<b>16</b> State wages, tips, etc.	<b>17</b> State income tax	<b>18</b> Local wages, tips, etc.	<b>19</b> Local income tax	<b>20</b> Locality name		

Form **W-2** Wage and Tax Statement

Department of the Treasury—Internal Revenue Service

**Copy B—To Be Filed With Employee's FEDERAL Tax Return.**  
 This information is being furnished to the Internal Revenue Service.

# ***DISCRIMINATION TESTS***



# DISCRIMINATION TESTS

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## #1

### Actual Deferral Percentage (ADP) Test

For each participant:

$$\frac{\text{401(k) deferrals}}{\text{compensation}} = \%$$

This test compares

The Highly Compensated  
deferral average

to the

Non-Highly Compensated  
deferral average

# TESTING TABLE

**Actual Deferral Percentage (ADP):** The participant's total 401(k) contributions **divided** by compensation. For the Highly Compensated Group (**HCG**) or Non-Highly Compensated Group (**NHCG**), the ADP is the average of the individual ADPs for all participants of that group.

To satisfy this test, 401(k) contributions must meet one of the two following discrimination tests:

- **The ADP of the HCG cannot exceed 200% of the ADP of the NHCG and the point spread between the two groups cannot exceed two percentage points; or**
- **The ADP of the HCG cannot exceed 125% of the ADP of the NHCG**

## *How it Works*

IF THE NHCG ADP% IS	ALLOWABLE SPREAD	THEN THE HCG% CAN BE
1%	x2	2%
1.5%	x2	3%
2%	+2	4%
3%	+2	5%
4%	+2	6%
5%	+2	7%
6%	+2	8%
7%	+2	9%
8%	+2	10%
9%	x1.25	11.25%
10%	x1.25	12.5%



# DISCRIMINATION TESTS

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**#2**

## **Actual Contribution Percentage (ACP) Test**

Tests Employer matching contributions

$$\frac{\text{Matching Contribution}}{\text{Compensation}} = \%$$

**Same rules as the Employee Deferral (ADP) test but for matching contributions**

# DISCRIMINATION TESTS

**ACTUAL DEFERRAL PERCENTAGE TEST  
FOR THE YEAR ENDING DECEMBER 31, 2018**

***THIS TEST PASSES***

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>SALARY DEFERRALS</u>	<u>ADP</u>
<i>Highly Compensated Group:</i>			
HC 1	\$ 275,000	\$ 18,500	6.73%
HC 2	200,000	18,500	9.25%
HC 3	150,000	8,000	5.33%
<b>HCG AVERAGE ADP</b>			<b>7.10%</b>
<i>Non-Highly Compensated Group:</i>			
Staff 1	100,000	18,500	18.50%
Staff 2	95,000	4,750	5.00%
Staff 3	95,000	0	0.00%
Staff 4	80,000	6,000	7.50%
Staff 5	60,000	0	0.00%
Staff 6	55,000	550	1.00%
Staff 7	50,000	5,000	10.00%
Staff 8	50,000	500	1.00%
Staff 9	40,000	1,000	2.50%
Staff 10	40,000	2,400	6.00%
<b>NHCG AVERAGE ADP</b>			<b>5.15%</b>
<b>TOTALS</b>	\$ <u>1,290,000</u>	\$ <u>83,700</u>	

# DISCRIMINATION TESTS

**ACTUAL DEFERRAL PERCENTAGE TEST  
FOR THE YEAR ENDING DECEMBER 31, 2018**

***THIS TEST FAILS***

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>SALARY DEFERRALS</u>	<u>ADP</u>
<i>Highly Compensated Group:</i>			
HC 1	\$ 275,000	\$ 18,500	6.73%
HC 2	200,000	18,500	9.25%
HC 3	150,000	9,000	6.00%

**HCG AVERAGE ADP**

**7.33%**

*Non-Highly Compensated Group:*

Staff 1	80,000	6,000	7.50%
Staff 2	70,000	4,200	6.00%
Staff 3	70,000	0	0.00%
Staff 4	60,000	6,000	10.00%
Staff 5	50,000	0	0.00%
Staff 6	50,000	0	0.00%
Staff 7	50,000	0	0.00%
Staff 8	50,000	0	0.00%
Staff 9	40,000	0	0.00%
Staff 10	40,000	2,400	6.00%
Staff 11	40,000	0	0.00%
Staff 12	40,000	6,000	15.00%
Staff 13	40,000	2,400	6.00%
Staff 14	40,000	0	0.00%
Staff 15	40,000	2,400	6.00%
Staff 16	40,000	0	0.00%
Staff 17	40,000	0	0.00%
Staff 18	30,000	3,000	10.00%
Staff 19	30,000	2,222	7.41%
Staff 20	30,000	1,800	6.00%

**NHCG AVERAGE ADP**

**4.00%**

<b>TOTALS</b>	\$ <u>1,555,000</u>	\$ <u>82,422</u>	
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# DISCRIMINATION TESTS

## ACTUAL DEFERRAL PERCENTAGE TEST

### TAKE BACK - CORRECTION RULE

**(2 Steps!)**

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>ORIGINAL DEFERRALS</u>	<u>DEFERRALS TO PASS</u>	<u>ADP NEEDED TO PASS</u>	<u>TOTAL TAKE BACK AMOUNT</u>
<b>STEP #1</b>					
<b>-Determine the amount that must be taken back by reducing the highest deferral percentage until the average = 6.00%</b>					
HC 1	\$ 275,000	\$ 18,500	\$ 16,500	6.00%	\$ 2,000
HC 2	200,000	18,500	12,000	6.00%	6,500
HC 3	150,000	9,000	9,000	6.00%	0
		\$ 46,000	\$ 37,500	<b>6.00%</b>	\$ 8,500

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>ORIGINAL DEFERRALS</u>	<u>DEFERRALS TO PASS</u>	<u>INDIVIDUAL TAKE BACK AMOUNT</u>
<b>STEP #2</b>				
<b>-Reduce the deferrals of those with the highest dollar amount until total = \$8,500</b>				
HC 1	\$ 275,000	\$ 18,500	\$ 14,250	4,250
HC 2	200,000	18,500	14,250	4,250
HC 3	150,000	9,000	9,000	0
		\$ 46,000	\$ 37,500	\$ 8,500

HC 1 is over age 50 at the end of the year. HC 1 can reclassify up to \$6,000 as catch up, thus no deferrals are returned.

HC 2 is under age 50 and not eligible for catch up. HC 2 must return \$4,250 adjusted for earnings/losses.

## Options:

1. Giving Back \$\$\$
2. Timing – 2½ months/12 months
3. Testing tricks!!!

# TYPES OF EMPLOYER CONTRIBUTIONS

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*"That ain't workin' that's the way you do it..." ~Dire Straits*

**Match**

**Profit  
Sharing  
(Discretionary)**

**Safe  
Harbors**

# **MATCHING CONTRIBUTION**

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## **STRATEGIES**

- ⦿ **Caps - \$ OR %**
- ⦿ **Sets a target for participants**
- ⦿ **Sets budget cap for the employer**

# MATCHING CONTRIBUTION

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## Examples of most popular Matches:

- **\$0.50 per \$1.00 up to 6% of Wages**
- **\$0.25 per \$1.00 up to 8% of Wages**
- **\$1.00 per \$1.00 up to 4% of Wages**

# TIMING OF EMPLOYER CONTRIBUTIONS

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## *When are Employer Contributions Due to the Plan?*

By the time the Company's tax return is due...including extensions.

**KEY!!** 

⇒ **Notify CPA**

⇒ **Check Company Tax Returns!!**



# ISSUE: Fund Employer Contributions as you go or wait until year-end?

**That is the question!!**



# TIMING OF EMPLOYER CONTRIBUTIONS

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## OPTION #1

## FUND AFTER YEAR-END

- 1. Contributions still deductible for prior year.**
- 2. Contributions calculated just once (correctly).**
- 3. No issues with taking back pre-funded contributions to partially vested participants.**
- 4. Company has use of funds.**

# TIMING OF EMPLOYER CONTRIBUTIONS

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## OPTION #2 FUND MATCH AS YOU GO

1. Employees may perceive this as a benefit.
2. Match is calculated for each payroll (high chance of error).
3. Must be careful to not pay out terminated employee until vesting and other contribution issues are solved.



Although you get to decide.  
Our recommendation...  
Fund after year-end.

# MATCHING EXAMPLES

## MATCHING CONTRIBUTION #1

FOR THE YEAR ENDING DECEMBER 31, 2018

PARTICIPANT NAME	ELIGIBLE COMPENSATION	SALARY DEFERRALS	CATCH UP	ADP	\$ .50 PER \$1 UP TO 6% OF COMPENSATION	
					ACR	ACP
<i>Highly Compensated Group:</i>						
HC 1	\$ 275,000	\$ 18,500	6,000	6.73%	\$ 8,250	3.00%
HC 2	275,000	15,600	0	5.67%	7,800	2.84%
HC 3	150,000	9,000	0	6.00%	4,500	3.00%
<b>HCG AVERAGE ADP</b>				<b>6.13%</b>	<b>AVG. ACP</b>	<b>2.95%</b>
<i>Non-Highly Compensated Group:</i>						
Staff 1	100,000	6,000	0	6.00%	3,000	3.00%
Staff 2	90,000	0	0	0.00%	0	0.00%
Staff 3	80,000	4,000	0	5.00%	2,000	2.50%
Staff 4	70,000	4,200	0	6.00%	2,100	3.00%
Staff 5	60,000	6,000	0	10.00%	1,800	3.00%
Staff 6	60,000	1,500	0	2.50%	750	1.25%
Staff 7	55,000	3,300	0	6.00%	1,650	3.00%
Staff 8	50,000	0	0	0.00%	0	0.00%
Staff 9	40,000	1,800	0	4.50%	900	2.25%
Staff 10	40,000	1,000	0	2.50%	500	1.25%
<b>NHCG AVERAGE ADP</b>				<b>4.25%</b>	<b>AVG. ACP</b>	<b>1.93%</b>
<b>TOTALS</b>	<b>\$ 1,345,000</b>	<b>\$ 70,900</b>	<b>\$ 6,000</b>		<b>\$ 33,250</b>	

# MATCHING EXAMPLES

## MATCHING CONTRIBUTION #2

FOR THE YEAR ENDING DECEMBER 31, 2018

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>401(k) DEFERRALS</u>	<u>ADP</u>	<u>\$.25 PER \$1 UP TO 8% OF COMPENSATION</u>	<u>ACP</u>
<i>Highly Compensated Group:</i>					
HC 1	\$ 275,000	\$ 18,500	6.73%	\$ 4,625	1.68%
HC 2	275,000	18,500	6.73%	4,625	1.68%
HC 3	150,000	12,000	8.00%	3,000	2.00%
<b>HCG AVERAGE ADP</b>			<b>7.15%</b>	<b>AVG. ACP</b>	<b>1.79%</b>
<i>Non-Highly Compensated Group:</i>					
Staff 1	70,000	5,600	8.00%	1,400	2.00%
Staff 2	60,000	6,000	10.00%	1,200	2.00%
Staff 3	30,000	2,400	8.00%	600	2.00%
Staff 4	50,000	0	0.00%	0	0.00%
Staff 5	40,000	1,200	3.00%	300	0.75%
<b>NHCG AVERAGE ADP</b>			<b>5.80%</b>	<b>AVG. ACP</b>	<b>1.35%</b>
<b>TOTALS</b>	<b>\$ 950,000</b>	<b>\$ 64,200</b>		<b>\$ 15,750</b>	

# SAFE HARBOR

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## ⇒ **Designed to Avoid Testing**

### ▪ **Some History**

- ✓ **1998 ish...Created**
- ✓ **2001 ish...Exploded**

## ⇒ **An employer can make one of the following contributions:**

### ▪ **Safe Harbor non-elective (Fixed Percentage)**

- 3% of compensation

### ▪ **Safe Harbor Match**

- 100% on the first 4% of employee deferrals  
OR
- 100% on the first 3% of employee deferrals plus
- 50% on the next 2% of employee deferrals

## ⇒ **Both must be 100% vested**

## ⇒ **No last day provision**

# SAFE HARBOR

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## ⇒ **Notice requirements**

- 30 to 90 days **PRIOR** to the beginning of the Plan year!

## ⇒ **Full-year commitment**

- Must make Safe Harbor contribution for the **ENTIRE** Plan Year.

# **SAFE HARBOR MEANS**

- ⇒ **No ADP Test** (For employee contributions)
- ⇒ **No ACP Test** (For matching contributions)
- ⇒ **Exempt From Top Heavy Rules**
  - **What are those?**
  - **Let's discuss...**



# REMOVING SAFE HARBOR

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## ⇒ **How to undo Safe Harbor mid-year:**

- Notice to employees—TIMING: at least 30 days before removal
- Must test for discrimination—ENTIRE YEAR
- Must fund Safe Harbor through date of removal
- Must meet “top heavy” rules
- Plan sponsor must be operating at an economic loss

# TOP HEAVY

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CAUTION



TRAP!



## A Plan is Top Heavy if:

- The total of the accounts of all Key Employees, as of the **Determination Date**, exceeds 60% of the total of all accounts for all employees.

### ***SO WHAT DOES IT MEAN?***

- Generally a mandatory 3% Employer Contribution

# SAFE HARBOR EXAMPLES

## SAFE HARBOR 3% NON-ELECTIVE CONTRIBUTION

FOR THE YEAR ENDING DECEMBER 31, 2018

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>SALARY DEFERRALS</u>	<u>CATCH UP</u>	<u>ADP</u>	<u>SAFE HARBOR</u>	<u>SAFE HARBOR AS A % OF COMPENSATION</u>
<i>Highly Compensated Group:</i>						
HC 1	\$ 275,000	\$ 18,500	\$ 6,000	6.73%	\$ 8,250	3.00%
HC 2	45,000	18,500	6,000	41.11%	1,350	3.00%
HC 3	150,000	6,000	0	4.00%	4,500	3.00%
<b>HCG AVG. ADP</b>				<b>17.28%</b>		
<i>Non-Highly Compensated Group:</i>						
Staff 1	70,000	3,500	0	5.00%	2,100	3.00%
Staff 2	60,000	6,000	0	10.00%	1,800	3.00%
Staff 3	50,000	0	0	0.00%	1,500	3.00%
Staff 4	<u>40,000</u>	<u>1,400</u>	<u>0</u>	3.50%	<u>1,200</u>	3.00%
TOTALS	\$ <u>690,000</u>	\$ <u>53,900</u>	\$ <u>12,000</u>		\$ <u>20,700</u>	
<b>NHCG AVG. ADP</b>				<b>4.63%</b>		

# SAFE HARBOR EXAMPLES

## SAFE HARBOR MATCHING CONTRIBUTION

FOR THE YEAR ENDING DECEMBER 31, 2018

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>SALARY DEFERRALS</u>	<u>CATCH UP</u>	<u>ADP</u>	<u>\$1 FOR \$1 UP TO 4% OF COMPENSATION</u>	<u>ACP</u>
<i>Highly Compensated Group:</i>						
Owner	\$ 275,000	\$ 18,500	6,000	6.73%	\$ 11,000	4.00%
Owner Spouse	45,000	18,500	6,000	41.11%	1,800	4.00%
HC	150,000	6,000	0	4.00%	6,000	4.00%
				<b>HCG AVG. ADP</b>	<b>17.28%</b>	
<i>Non-Highly Compensated Group:</i>						
Staff 1	70,000	3,500	0	5.00%	2,800	4.00%
Staff 2	60,000	6,000	0	10.00%	2,400	4.00%
Staff 3	50,000	0	0	0.00%	0	0.00%
Staff 4	40,000	1,400	0	3.50%	1,400	3.50%
<b>TOTALS</b>	<b>\$ 690,000</b>	<b>\$ 53,900</b>	<b>\$ 12,000</b>		<b>\$ 25,400</b>	

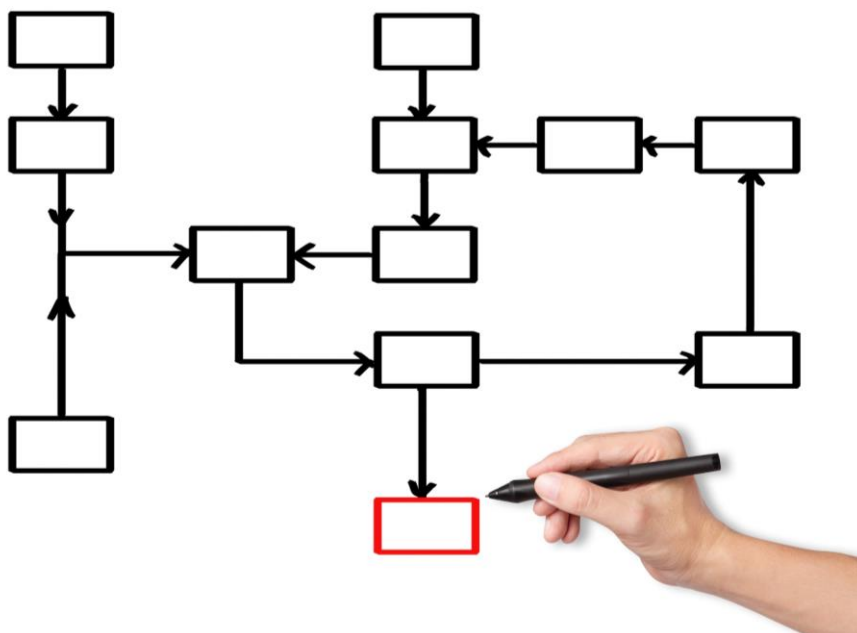
# DISCRETIONARY PROFIT SHARING

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## What is Cross Testing?

- ⇒ A creative or targeted way of allocating Company profit sharing dollars
- ⇒ The ability to skew the contribution in favor of specific employees
- ⇒ Must be a provision in the Plan Document



# DISCRETIONARY PROFIT SHARING

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## Dividing up the pie...



**Equal %**



**Skewed**

***"There's one for you, 19 for me..."***  
***~Taxman by The Beatles***

# DISCRETIONARY PROFIT SHARING

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⇒ **An employer can make one of the following discretionary profit sharing contributions:**

- MOST** ■ **Cross Tested** (most flexible)
- The non-elective contribution will depend on how much compensation the participant received during the year as well as the group to which they were assigned. The employer may contribute a different amount on behalf of each group. The amount contributed on behalf of each group will be allocated proportionately based on each participant's wages as compared to the total compensation of all participants in the designated group. Popular. (Used with older owners and younger staff.)
- SOME** ■ **Pro-rata**
- All eligible participants receive the same percentage of contribution.
- FEW** ■ **Integrated** (skewed based on compensation only)
- The contribution will be allocated to the participant's account in the same proportion as their compensation plus their compensation in excess of a percentage of the Social Security Wage Base. The maximum amount that can be allocated in this first step varies and is dependent upon the integration level.

⇒ **Subject to Vesting**

⇒ **Subject to Last Day**

# DISCRETIONARY PROFIT SHARING

DISCRETIONARY PROFIT SHARING  
CROSS TESTED - EACH IN OWN GROUP  
FOR THE YEAR ENDING DECEMBER 31, 2018

<u>Participant Name</u>	<u>Date of Birth</u>	<u>Age as of 12/31/18</u>	<u>Compensation</u>	<u>Salary Deferrals</u>	<u>Profit Sharing</u>	<u>Profit Sharing as a % of Compensation</u>	<u>Total</u>
HC 1	07/21/68	50	\$ 275,000	\$ 18,500	\$ 36,500	13.27%	\$ 55,000
HC 2	03/05/68	50	200,000	18,500	26,545	13.27%	45,045
HC 3	09/18/66	52	150,000	6,000	15,000	10.00%	21,000
Staff 1	04/22/82	36	70,000	3,500	3,094	4.42%	6,594
Staff 2	05/02/80	38	60,000	6,000	2,652	4.42%	8,652
Staff 3	07/11/90	28	50,000	0	2,210	4.42%	2,210
Staff 4	10/17/66	52	40,000	1,600	1,768	4.42%	3,368
TOTALS			\$ <u>845,000</u>	\$ <u>54,100</u>	\$ <u>87,769</u>		\$ <u>141,869</u>
<b>% TO HCG - PROFIT SHARING ONLY</b>				<b>88.92%</b>			



# DISCRETIONARY PROFIT SHARING

**DISCRETIONARY PROFIT SHARING  
PRO-RATA  
FOR THE YEAR ENDING DECEMBER 31, 2018**

<u>PARTICIPANT NAME</u>	<u>ELIGIBLE COMPENSATION</u>	<u>SALARY DEFERRALS</u>	<u>ADP</u>	<u>PROFIT SHARING</u>	<u>PROFIT SHARING AS A % OF COMPENSATION</u>	<u>TOTAL</u>
<i>Highly Compensated Group:</i>						
HC 1	\$ 275,000	\$ 18,500	6.73%	\$ 36,500	13.27%	\$ 55,000
HC 2	275,000	18,500	6.73%	36,500	13.27%	55,000
HC 3	150,000	6,000	4.00%	19,909	13.27%	25,909
HCG AVERAGE ADP			5.82%			
<i>Non-Highly Compensated Group:</i>						
Staff 1	70,000	3,500	5.00%	9,291	13.27%	12,791
Staff 2	60,000	6,000	10.00%	7,964	13.27%	13,964
Staff 3	50,000	0	0.00%	6,636	13.27%	6,636
Staff 4	40,000	1,600	4.00%	5,309	13.27%	6,909
NHCG AVERAGE ADP			4.75%			
TOTALS	\$ <u>920,000</u>	\$ <u>54,100</u>		\$ <u>122,109</u>		\$ <u>176,209</u>
<b>% TO HCG - PROFIT SHARING ONLY</b>		<b>76.09%</b>				

# DISCRETIONARY PROFIT SHARING

DISCRETIONARY PROFIT SHARING  
INTEGRATED  
FOR THE YEAR ENDING DECEMBER 31, 2018

Participant Name	Eligible Compensation	Salary Deferrals	ADP	Allocate 5.70% Of Comp Over \$128,400	Allocation of Remainder	Total Profit Sharing	Profit Sharing as a % of Compensation	TOTAL
<i>Highly Compensated Group:</i>								
HC 1	\$ 275,000	\$ 18,500	6.73%	\$ 8,356	\$ 28,144	\$ 36,500	13.27%	\$ 55,000
HC 2	275,000	18,500	6.73%	8,356	28,144	36,500	13.27%	55,000
HC 3	150,000	6,000	4.00%	1,231	15,351	16,582	11.05%	22,582
<i>Non-Highly Compensated Group:</i>								
Staff 1	70,000	3,500	5.00%	0	7,164	7,164	10.23%	10,664
Staff 2	60,000	6,000	10.00%	0	6,140	6,140	10.23%	12,140
Staff 3	50,000	0	0.00%	0	5,117	5,117	10.23%	5,117
Staff 4	40,000	1,600	4.00%	0	4,093	4,093	10.23%	5,693
TOTALS	\$ 920,000	\$ 54,100		\$ 17,943	\$ 94,153	\$ 112,096		\$ 166,196

% TO HCG - PROFIT SHARING ONLY 79.92%

# DISCRETIONARY PROFIT SHARING

**DISCRETIONARY PROFIT SHARING  
CROSS TESTED - EACH IN OWN GROUP  
4% SAFE HARBOR MATCH CONTRIBUTION  
FOR THE YEAR ENDING DECEMBER 31, 2018**

Participant Name	Date of Birth	Age as of 12/31/18	Compensation	Contributions				Total
				Salary Deferrals	Catch Up	SH Match	Profit Sharing	
HC 1	07/21/52	66	\$ 275,000	\$ 18,500	\$ 6,000	\$ 10,800	\$ 25,700	61,000
HC 2	03/05/58	60	275,000	18,500	6,000	10,800	15,000	50,300
HC 3	08/01/65	53	275,000	18,500	6,000	10,800	10,000	45,300
HC 4	04/12/75	43	150,000	18,500	0	6,000	5,000	29,500
HC 5	06/06/82	36	200,000	0	0	0	0	0
Staff 1	07/11/68	50	100,000	0	0	0	3,115	3,115
Staff 2	06/28/75	43	80,000	4,800	0	3,200	<b>5,000</b>	13,000
Staff 3	02/14/77	41	70,000	7,000	0	2,800	2,181	11,981
Staff 4	04/22/50	68	70,000	5,600	0	2,800	2,181	10,581
Staff 5	12/10/79	39	60,000	0	0	0	1,869	1,869
Staff 6 (1)	05/02/80	38	60,000	3,000	0	2,400	0	5,400
Staff 7	01/08/89	29	50,000	0	0	0	1,558	1,558
Staff 8	08/25/68	50	50,000	500	0	500	1,558	2,558
Staff 9	09/20/92	26	50,000	0	0	0	1,558	1,558
Staff 10	07/13/88	30	40,000	0	0	0	1,246	1,246
<b>TOTALS</b>			<u>\$ 1,805,000</u>	<u>\$ 94,900</u>	<u>\$ 18,000</u>	<u>\$ 50,100</u>	<u>\$ 75,966</u>	<u>\$ 238,966</u>

(1) Terminated employment on 2/15/18.

% TO OWNERS - PROFIT SHARING & SAFE HARBOR

**74.64%**

# DISCRETIONARY PROFIT SHARING

## DISCRETIONARY PROFIT SHARING CROSS TESTED - EACH IN OWN GROUP

### TARGETED CONTRIBUTIONS

FOR THE YEAR ENDING DECEMBER 31, 2018

Participant Name	Date of Birth	Age as of 12/31/18	Compensation	Contributions				Total
				Salary Deferrals	Catch Up	3.00% Safe Harbor	Profit Sharing	
HC 1	07/21/52	66	\$ 275,000	\$ 18,500	\$ 6,000	\$ 8,250	\$ 28,250	\$ 61,000
HC 2	03/05/66	52	275,000	18,500	6,000	8,250	3,905	36,655
HC 3	09/18/64	54	275,000	0	0	8,250	0	8,250
Staff 1	04/22/70	48	70,000	3,500	0	2,100	994	6,594
Staff 2	05/02/80	38	60,000	3,000	0	1,800	852	5,652
Staff 3	07/11/65	53	50,000	0	0	1,500	710	2,210
Staff 4	10/17/60	58	40,000	1,600	0	1,200	568	3,368
Staff 5	06/06/82	36	100,000	6,000	0	3,000	10,000	19,000
Staff 6	10/22/75	43	40,000	0	0	1,200	568	1,768
Staff 7	09/20/79	39	60,000	2,000	0	1,800	852	4,652
Staff 8	06/28/77	41	80,000	2,400	0	2,400	1,136	5,936
TOTALS			\$ 1,325,000	\$ 55,500	\$ 12,000	\$ 39,750	\$ 47,835	\$ 155,085

**What if  
\$55,000/\$61,000  
is not enough?**

*"I wanna take you higher..."  
~Sly & The Family Stone*

**SOLUTION:  
Add a Cash Balance  
Plan**

# DISCRETIONARY PROFIT SHARING

**COMBO PROFIT SHARING & CASH BALANCE  
3% SAFE HARBOR NONELECTIVE CONTRIBUTION  
FOR THE YEAR ENDING DECEMBER 31, 2018**

Participant Name	Date of Birth	Age as of 12/31/18	Compensation	Contributions					
				Salary Deferrals	Catch Up	Safe Harbor 3%	Profit Sharing	Cash Balance	Total
HC 1 - Owner	03/02/57	61	\$ 275,000	\$ 18,500	\$ 6,000	\$ 8,250	\$ 7,800	\$ 195,000	\$ 235,550
HC 2 - Spouse	06/01/60	58	36,000	18,500	0	1,080	1,260	900	21,740
Staff 1	07/03/81	37	37,994	0	0	1,140	1,330	950	3,420
Staff 2	08/14/73	45	42,744	4,800	0	1,282	1,496	1,000	8,578
Staff 3	07/11/56	62	52,057	0	0	1,562	1,822	1,000	4,384
Staff 4	10/17/86	32	35,759	480	0	1,073	1,252	894	3,699
Staff 5	12/16/53	65	49,040	1,800	0	1,471	1,716	1,000	5,987
Staff 6	12/06/64	54	40,789	806	0	1,224	1,428	1,000	4,458
Staff 7	12/27/77	41	19,542	0	0	586	684	489	1,759
Staff 8	02/13/74	44	42,442	839	0	1,273	1,485	1,000	4,597
Staff 9	02/16/78	40	39,236	0	0	1,177	1,373	981	3,531
Staff 10	08/21/59	59	52,659	3,250	0	1,580	1,843	1,000	7,673
<b>TOTALS</b>			<u>\$ 723,262</u>	<u>\$ 48,975</u>	<u>\$ 6,000</u>	<u>\$ 21,698</u>	<u>\$ 23,489</u>	<u>\$ 205,214</u>	<u>\$ 305,376</u>

<b>TOTAL EMPLOYER CONTRIBUTION</b>	<b>\$250,401</b>	<b>% TO OWNERS</b>	<b>85.6%</b>
<b>AMOUNT TO OWNERS</b>	<b>\$214,290</b>		
<b>AMOUNT TO STAFF</b>	<b>\$36,111</b>		
<b>EST. TAX SAVINGS (@45%)</b>	<b>\$100,160</b>		

# Distributions

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LEAKAGE

# HARDSHIP DISTRIBUTIONS

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## Tax Effect

- Income tax
- 10% Penalty
- Not eligible for rollover

*"We've got to hold on to  
what we got..." ~Bon Jovi*





# **HARDSHIP DISTRIBUTIONS**

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**If allowed by the Plan, the rules are:**

**Must be for immediate and heavy financial need, limited to:**

- Medical expenses
- Purchase of principal residence
- Payment of post-secondary education
- To prevent eviction or foreclosure related to principal residence
- Payment for funeral expenses for parent, spouse, children or dependents
- Expenses for the repair of damage to principal residence that would qualify as a casualty deduction (Federal Disaster declared relief areas only)

# HARDSHIP DISTRIBUTIONS

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- The amount may not exceed the amount necessary for the need
  - The employee has exhausted all other sources including Plan loans if applicable
- NEW!**
- Effective January 1, 2019, **NO** 6-month restriction on making 401(k) Deferrals
  - Effective January 1, 2019, Hardships available from all sources including earnings

# NEW HARDSHIP SUBSTANTIATION GUIDELINES

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February 2018 IRS released formal guidance

KEY: **Keep Source Documents!!!**

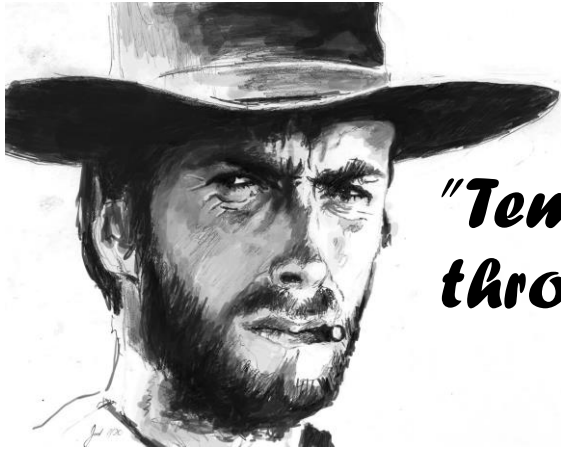
*Examples:*

- Bills/statements: medical bills, college tuition bills
- Contracts: real estate purchase agreement
- Estimates: estimate to fix unexpected damage to home (casualty loss-Federal Disaster declared relief areas only)

# PARTICIPANT LOANS

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*"Temptation Eyes looking  
through my-my-my soul"*

*~Grass Roots*

**If allowed by the Plan, the rules are:**

- ❑ Limited to the lesser of:  
\$50,000 or
- ❑ 50% of the participant's **vested** balance
  - Maximum repayment period is 5 years
  - For principal residence - 15 years
  - Payments must be at least quarterly using level amortization and a reasonable interest rate

# QDRO

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## Qualified Domestic Relations Order

**A court order that allows a Plan to distribute benefits to someone other than the participant must:**

- State the alternate payee's right to all or a portion of the participant's balance
- Identify the parties, the amount, and timing
- Comply with the Plan and IRS Code

***Send to us first!***



# REQUIRED MINIMUM DISTRIBUTION

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## Participant must take a distribution from a qualified plan if:

- Retired, 5% owner or lineal ascendants of 5% owner
- Age 70 ½
- Deadline of 12/31 following age 70 ½
- Except 1<sup>st</sup> year where you can wait until 4/1 of the year following age 70 ½ (must then take two)
- Must also take RMDs from IRAs, but not Roth IRAs

**THE FINAL  
COUNTDOWN**

# QUALIFIED DISTRIBUTIONS

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- **Death**
- **Disability**
- **Termination**
  - **Rollover**
    - Existing Qualified Plan
    - IRA
  - **Cash-Out**
    - 20% tax withheld
    - 10% Penalty
    - Catch-up Withholding

*"Stupid is as  
Stupid does."  
~Forrest Gump*



# **AUTOMATIC ROLLOVERS & CASHOUTS**

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- ⇒ **For small account balances under \$5,000**
- ⇒ **No consent necessary**
- ⇒ **Need IRA custodian**
- ⇒ **Platform may help**
- ⇒ **<\$1,000 – distribute cash**
- ⇒ **\$1,000 - \$5,000 – rollover to IRA**



# VESTING

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- ⇒ **Participant's ownership in their account balance**
- ⇒ **Vested account balance = the portion that is non-forfeitable**

# VESTING

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Years of Service		(1) Cliff	(2) Graded
1		0%	0%
2		0%	20%
3		100%	40%
4		100%	60%
5		100%	80%
6		100%	100%

A Plan can have more liberal vesting schedules

# VESTING

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## **Vesting schedules are ignored and 100% vesting occurs if:**

- A participant reaches normal retirement age
- A Plan is terminated, a partial termination occurs, or contributions are completely discontinued
- The Plan allows, when a participant dies or becomes disabled

# VESTING

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## Partial Plan Termination

- 20% of plan participants terminated by company
- Affects ONLY terminated employees
- 100% vesting for those affected

# FORFEITURES

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**Unvested money left in the Plan when a participant is paid out their vested balance.**

**Forfeited funds can be used in four ways:**

- Allocate to participants
- Reduce employer contributions
- Pay certain Plan expenses
- **NEW!** Can now fund Safe Harbor contributions

# Fiduciary Responsibility

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# **FIDUCIARY RESPONSIBILITY**

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## **NEW – Fiduciary Standards**

**Rule vacated March 15, 2018 in  
Chamber of Commerce vs. DOL**

**The proposed standard was to:**

***“Act in the best interest of the client”***  
**(the plan and its participants).**

**The Securities and  
Exchange Commission  
(SEC) may step in with  
their own regulations  
governing Investment  
Advisors.**

# FIDUCIARY RESPONSIBILITY

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## Who is a “fiduciary” under ERISA?

- Any person who exercises any discretionary authority or control over the Plan’s management;
- Any person who exercises any authority or control over the management or disposal of Plan assets;
- Any person who renders investment advice for a fee or other compensation, with respect to Plan funds or property; or
- Any person who has discretionary authority or responsibility in the Plan’s administration.



# FIDUCIARY RESPONSIBILITY

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## Fiduciary or not?

- Someone who calculates service and compensation for benefits? **NO**
- Someone who prepares communications to employees? **NO**
- Someone who maintains participant service and employment records? **NO**
- Someone who prepares reports required by governmental agencies? **NO**
- Someone who explains the Plan to new participants and advises participants of their rights and options under the Plan? **NO**
- Someone who collects contributions and applies them to the Plan? **NO**

**Is the Plan Trustee a Fiduciary?**

**YES!!!**

# FIDUCIARY RESPONSIBILITY

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## What are your Fiduciary Responsibilities under ERISA?

- Understanding the terms of the Plan
- Selecting and monitoring service providers
- Making timely contributions to the Plan's funds
- Avoiding prohibited transactions
- Making timely disclosures to the Plan participants
- Making timely reports to the government
- Supreme Court confirms ongoing duty to monitor investments and remove & improve those that are imprudent. Six year statute of limitations is not applicable.  
(*Tibble v. Edison*)

# TRUSTEE CHECKLIST

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## FEES & EXPENSES

- Monitor** the fees and expenses being paid by the Plan.
- Confirm** that the fees and expenses charged to the Plan are **reasonable**.
- Timely disclose** all of the fees and expenses being paid by the Plan to all of the participants.
- Document** your reviews and decisions made with respect to the fees and expenses being paid by the Plan.

## INVESTMENTS

- Maintain** a written Investment Policy Statement for the Plan.
- Confirm** that Plan participants have a broad range of reasonable investment options for the Plan.
- Review** the investment options at least annually, to ensure that the investment options continue to meet the requirements set forth in the Plan's Investment Policy Statement.
- Document** your reviews and decisions made with respect to the investment options available to the participants.

# TRUSTEE CHECKLIST

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## SERVICE PROVIDERS

- Monitor** all experts and providers retained to provide services for the Plan to ensure they are meeting the performance standards set for them.
- Communicate** with multiple service providers to ensure that services are integrated in a timely, accurate, and cost efficient manner.
- Document** your reviews and decisions made with respect to the service providers working for the Plan.

## PLAN ADMINISTRATION

- Confirm** that the payroll processor is accurately and timely withholding and reporting all deferrals and contributions.
- Confirm** that all eligible employees are timely enrolled according to the provisions of the Plan.
- Work closely with your PPA Administrator** to ensure that all reporting and compliance matters are completed timely.
- Document** your work with respect to the administration of the Plan.

# TRUSTEE CHECKLIST

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## EDUCATION

- Maintain** a written Education Policy Statement for the Plan.
- Deliver** a current Summary Plan Description to all employees. Redistribute the Summary Plan Description or distribute a Summary of Material Modifications whenever Plan design changes dictate, and provide Summary Annual Reports and any required notices based on Plan design.
- Arrange** for seminars to educate participants about the Plan, the importance of saving for retirement, and the basics of investing.
- Confirm** that the Financial Advisor for the Plan is readily available for meetings with participants.
- Arrange** for employee education meetings, at least annually, in collaboration with PPA and the Plan's Financial Advisor.
- Monitor** the education strategies and opportunities at least annually to ensure that they continue to meet the standards set out in the Plan's Education Policy Statement.
- Document** your reviews and decisions made with respect to the participant education strategies for the Plan.

# **EMPLOYEE EDUCATION**

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## **Materials**

- ⇒ **Summary Plan Description – SPD**
- ⇒ **Enrollment Forms**
- ⇒ **Beneficiary Designation Form**
- ⇒ **Safe Harbor Notice (if applicable)**
- ⇒ **Annual Fee Disclosure**
- ⇒ **Annual/Quarterly Participant Statements**
- ⇒ **Administrative Notebook**
- ⇒ **Auto Enrollment Notice (if applicable)**
- ⇒ **QDIA Notice (if applicable)**

## **Communication Channels**

- ⇒ **Annual Employee Plan Review Meeting**
- ⇒ **Financial Advisor**
- ⇒ **Investment Platform**
- ⇒ **Human Resources**
- ⇒ **Panagiotu Pension Advisors (PPA)**

# FEE DISCLOSURE

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## ⇒ **ERISA §408(b)(2)**

### Fee Disclosures to **Plan Sponsors**

- Intended to ensure that Responsible Plan Fiduciaries (RPFs) have all information necessary to make decisions when selecting and monitoring covered service providers

## ⇒ **ERISA §404(a)(5)**

### Fee Disclosures to **Plan Participants**

- Intended to ensure that participants & beneficiaries are sufficiently informed to make decisions about managing the investments in their individual accounts

# FEE DISCLOSURE

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## ⇒ Quarterly Disclosures

- Disclose actual fees deducted from participant accounts
- Due 45 days after the end of each calendar quarter following the quarter in which the plan must provide initial disclosures

## ⇒ Annual Disclosures

- Disclose fees and other expenses that might be deducted from a participant's account (e.g. loan, hardship withdrawal, QDRO, distribution fees, etc). Also provide investment expense ratios and benchmarks.
- Due at new enrollment (part of enrollment packet), any time changes are made to the Plan, and at least once during each year.



**QUESTIONS? SEND EMAIL TO:**

**SeminarQuestions@ppatpa.com**

**THANK YOU  
FOR  
ATTENDING**