



## Strategic Update

*Ideas, news and tips from Pension Strategies*

June 2014

### Top Six Compliance Errors

Pension Strategies reviews more than 1,500 pension and retirement plans a year. Most plans are in great shape, but sometimes there are issues that need attention. Here are the top six issues we see:



1. **Plan Document Updates** - Plan documents must be updated from time to time to reflect frequent tax law changes. We alert our clients when these changes are necessary. The required restatement period for 401(k) and profit sharing plans is starting this summer. We will be sending information about this requirement in the next few months.
2. **Following the Plan Document** - Plans documents define how the plan should operate. Plan sponsors should ensure their internal procedures match the document. Two frequent procedural issues we see include defining compensation and following the plan entry dates. Let Pension Strategies know if you would like assistance reviewing your procedures.
3. **Including/Excluding Employees** - All plans include eligibility provisions. Sometimes companies exclude those who should have been covered or include those who should not. We review this issue when we provide annual administration. Be sure to list all of your employees on your census, so we can double check this for you.
4. **Participant Loans** - If the plan offers loans, it is important all loans follow the plan's loan program (and the law). This has been a frequently audited item and we urge caution in this area.
5. **Valuation of non-publicly traded assets** - Non-publicly traded plan assets must be valued by an independent third party on an annual basis. This is also an IRS audit target. Non-traditional plan assets require more care, and often cost, so be careful in this area.
6. **401(k) Plan Deposits of Employee Contributions** - Plan deposits should be made in a timely manner after each payroll. This is a very frequent audit target and penalties apply to late deposits. The IRS/DOL require deposits to be made as soon as possible, but no later than seven days after payday.

Many of these errors can be corrected either through self correction or IRS/DOL corrections programs. The key is to let us know so we can help keep your plan in great shape.

#### UPCOMING DEADLINES

**June 15, 2014**

Extended due date of form 5500's for plan years ending August 31, 2013.

### July 31, 2014

Deadline for filing form 5500's for all calendar year plans without an extension. Please send in your completed data request so we can complete your plan's annual administration.

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## Alert: Form 5500 Filing Deadline

July 31st is the filing due date for December 31, 2013 year end Form 5500s. If we haven't received all your information by now chances are an extension may be in order. Not to worry, part of our service includes tracking your Form 5500 deadline. The extended due date is October 15, 2014 - definitely one not to miss.

## Mid-year 401(k) Testing

The IRS requires traditional 401(k) plans to satisfy a series of anti-discrimination tests (ADP/ACP) each year. The ADP/ACP tests compare the contribution average for the Highly Compensated Employees (HCEs) to the contribution average for the Non-Highly Compensated Employees (NHCEs).

If the contribution rate for the HCEs is too high, the IRS may require refunds of contributions to bring the plan into compliance. For plan years that end in December each year, the summer can be a perfect time to perform a mid-year review to determine if the ADP/ACP tests are on track to be satisfied for the year.

If your plan covers only owners or has a safe harbor feature, these ADP/ACP tests do not apply. Please call us if you have any questions as to whether a mid-year ADP/ACP test is appropriate for your plan.

Please let us know if you would like us to address any topics in upcoming issues of Strategic Update. We're here to be your best resource in the Retirement Planning industry.

Sincerely,

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*And the entire Pension Strategies team*