PREFERRED PENSION PLANNING CORPORATION

2023 Year End Newsletter

Happy New Year!

This newsletter is a resource for you regarding important pension administration matters as we enter 2024.

Please call us at (908) 575-7575

to discuss this or anything on your mind.

We are here to help you have a happy, healthy, and prosperous New Year!

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WISHING
YOU
HAPPY
HOLIDAYS
& A BRIGHT NEW YEAR
FROM THE
WHOLE TEAM AT PPPC

As we look forward to 2024, we'd like to present you with a summary of some recent developments in the pension world, and there sure have been a lot of them! Two massive pension laws were enacted in the past few years: the Setting Every Community Up for Retirement Enhancement (SECURE) Act was passed in December 2019, and three years later, the "SECURE 2.0" Act was passed. Each of these laws had many provisions that take effect anywhere from 2020 to 2026. In addition, there have been multiple new regulations, rulings, and court decisions that have impacted the pension industry.

The staff of Preferred Pension Planning Corporation has written several articles to explain some of the most impactful developments.

Aaron Epstein has written an article on the new IRS ruling concerning the **Use of Forfeiture Accounts**. Speaking of Aaron, he not only attained his designation as a Qualified 401(k) Administrator (QKA) this year, but he was presented with the **Martin Rosenberg Academic Achievement Award** by the American Society of Pension Professionals and Actuaries (ASPPA) in recognition of his top-performing examination score! We are very proud of Aaron's achievement!

Barry Greenstein and Corey Zeller co-authored an article on **Long-Term Part-Time Employees.** Both SECURE and SECURE 2.0 enacted rules on this topic, and the IRS recently issued Proposed Regulations on the day after Thanksgiving, less than 6 weeks before the rules become effective.

Holly Morris, who joined PPPC in June this year, has an update on the rules regarding **Required Minimum Distributions** (RMDs). These rules were changed by SECURE and SECURE 2.0, and further modified with subsequent IRS rulings.

Kristin Tocket has written two articles for us! The first concerns new information on **Top Heavy Rules**. New laws have impacted the determination of whether a plan is top-heavy, and which employees must receive top-heavy contributions. Kristin's second article deals with the topic of **Automatic Enrollment in 401(k) Plans**, which will become mandatory in 2025, and what should be done to prepare for this new provision.

Steve Semler takes an interesting look at **Defined Benefit vs. Defined Contribution Plans**, including a brief analysis of the advantages and concerns of each type of plan, when one or the other (or both!) would be appropriate, and some plan design considerations within each plan type.

One of **Michelle Glassman**'s many jobs at PPPC is making sure our clients' plan documents are up-to-date with government requirements. Michelle has written an article about the **Cycle 3 Defined Benefit Plan Restatements** that require defined benefit plans to be re-written by March 31, 2025.

And last (but certainly not least!) our most prolific author, **Corey Zeller**, has penned two articles. The first article, **SECURE 2.0 Optional Provisions** describes the pluses and minuses of several new plan provisions. Corey's second topic concerns **Force Out Limits** that allow plans to distribute smaller balances if a participant's benefit is less than a fixed limit.

We hope you find this newsletter helpful and informative. Feel free to contact us if you'd like more information on any of these topics, or if you have any questions regarding your retirement plans.

Lawrence J. Zeller, MSEA, ASA, Enrolled Actuary
President, Preferred Pension Planning Corporation

READY OR NOT—LONG TERM PART TIME IS HERE

Corey Zeller, MSEA, CPC, QPA, QKA and Barry Greenstein, CPC, QPA, QKA

Readers of our newsletter, or almost any retirement plan-related news over the last few years will have heard talk about the long-term part-time (LTPT) rules, which were added to the law by the SECURE Act back in 2019. We've been through a global pandemic, multiple pieces of legislation and regulations, and countless other events since then, but on January 1, 2024, many plans could see their first employees becoming eligible under this rule.

What is Long Term Part Time?

Under current law, employers may impose minimum age and service conditions on participation in their 401(k) plans. The maximum age that can be required is 21, and the maximum amount of service that can be required is one year, defined as 1,000 hours of service in a 12-month period. Once an employee satisfies those conditions, they must be allowed to participate in their employer's 401 (k) plan, unless they are excluded under a non-service based classification (for example, union employees).

The SECURE Act of 2019 (now sometimes known as SECURE 1.0—like World War I, the number got added only after the second one happened) added a new maximum service condition for 401(k) plans, designed to extend coverage to long-term part-time employees. Under this rule, employees who complete three consecutive years in which they work at least 500 hours of service in each year must be allowed to participate in their employer's 401(k) plan. Years starting in 2020 or earlier are disregarded for determining the three consecutive year period.

In 2022, the SECURE 2.0 Act was signed into law, reducing the number of consecutive years required from three to two. SECURE 2.0 also extended the LTPT rule to 403(b) plans. These changes are effective for 2025.

Who is affected by this change?

The short story is that <u>all</u> 401(k) plans need to comply with this rule.

Long-term part-time employees must be allowed to defer into their employer's 401(k) plan, however they do not need to receive any employer contributions, including matching contributions, safe harbor contributions, or top heavy minimum contributions.

If an employee who is a long-term part-time employee later completes 1,000 hours of service in a year, they would be treated as a regular participant thereafter and be entitled to the same contributions as any other participant.

Examples, please?

Let's say your plan is a calendar-year plan with a 1 -year, 1,000-hour service requirement to become eligible, and the plan's entry dates are the first of each month. An employee was hired on May 5, 2021 and worked more than 500 hours (but less than 1000 hours) each year since then. When does this employee enter the plan under the LTPT rule?

Their 3 consecutive years would be May 5, 2021 -

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May 4, 2022; May 5, 2022 - May 4, 2023; and May 5, 2023 - May 4, 2024. The next entry date would be June 1, 2024, and that is the first date the employee would be eligible to participate.

But not so fast—many plans use a "switch to plan year" rule for determining eligibility service. That means that after the first 12 month period (which always begins on the employee's date of hire), subsequent measurement periods are measured on the basis of the plan year. This makes it easier to administer the rule, but it also has the effect of shortening the period of service, because there is always some overlap in measurement periods. If the plan uses this rule, then the 3 consecutive years would be May 5, 2021 - May 4, 2022; January 1, 2022 - December 31, 2022; and January 1, 2023 - December 31, 2023. Then the employee would become eligible on the next plan entry date, which is January 1, 2024.

If the employee's date of hire was May 5, 2023 instead, then the eligibility date would be June 1, 2025 (or January 1, 2025, if the plan uses the "switch to plan year" rule), using the SECURE 2.0 change to two years of service.

That's not all…

On November 24, 2023, the IRS released proposed regulations on LTPT rules for 401(k) plans. These proposed regulations largely clarified the eligibility rules as already discussed, but they did include one significant new rule.

While employers are not required to make any matching or other employer contributions to LTPT employees, they are not prohibited from doing so. The law requires that for purposes of vesting, LTPT employees must be treated as earning a year of vesting in any year in which they work 500 hours of service. Normally, a plan may require that an employee complete 1000 hours of service in a year to earn a year of vesting service.

The proposed regulations contained a rule that says this 500 hour vesting rule would apply not just to LTPT employees, but also to former LTPT employees—that is, employees who originally became eligible under the LTPT rule, but later worked 1,000 hours of service and became a regular participant.

This can lead to confusing and counterintuitive situations; for example, an employee who enters the plan as LTPT and works part-time for many more years could later earn 1,000 hours and be fully vested in the first year that they are ever eligible to receive a contribution.

What should plan sponsors do?

Sponsors of 401(k) plans largely have two choices—either comply with the LTPT rules, or avoid them.

How to comply with LTPT rules

Sponsors should already be familiar with their obligation to identify employees who are becoming eligible for the plan on each entry date throughout the year. What's changed is that they will now have to examine employees under two sets of eligibility criteria to see if they enter on any given entry date.

Plans that use the "switch-to-plan-year" rule, as discussed above, are likely to have employees entering as LTPT employees on January 1, 2024 (or the first day of their plan year, if it is not a calendar-year plan). These plans should examine their population of currently-ineligible employees as soon as possible to determine who will need to be offered enrollment options.

How to avoid LTPT rules

As mentioned earlier, LTPT rules apply to all 401 (k) plans. So by avoiding LTPT rules, we really

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READY OR NOT—LONG TERM PART TIME IS HERE

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mean making sure that no employees enter as LTPT employees, thereby saving the employer from having to check two separate sets of eligibility criteria.

Essentially this means modifying the plan's normal eligibility criteria to something less restrictive than either the normal 1-year/1000-hours rule or the LTPT rule. One way to do this is to simply let all employees participate in the plan immediately upon their date of hire. Another way would be to keep the 1-year period, but require only 500 hours during that year, instead of 1,000. There are other ways as well.

This not only avoids the burden of maintaining two sets of eligibility rules, but also the separate vesting rules for LTPT employees.

Going forward

This is a big change to the way that 401(k) plan administration works. Given the late date on which the IRS published its proposed (not yet finalized) regulations, it is reasonable to expect that IRS will be lenient in enforcement, and we are hoping that a simplified compliance rule will be made available for sponsors who may have difficulty implementing this timely.

One gift the IRS gave us in the proposed regulations is that any plan document amendment made to comply with the LTPT rules—even one made to "avoid" the rules by changing the plan's normal eligibility requirements—does not need to be adopted in writing until the end of the 2025 plan year.

Speaking of the proposed regulations—as of the publication of this newsletter, the public comment period is still open. If you have thoughts on what the IRS should or shouldn't include in their final regulations, you can let them know at regulations.gov.

Quick Tip: Plan Audit Update

In general, plans which have more than 100 participants on the first day of the plan year are required to have an audit by an Independent Qualified Public Accountant. The auditor's report must be attached to the Form 5500 filing for that year.

Previously, this determination was made based on the number of participants who are eligible for the plan, regardless of whether they are actively contributing.

Starting with the 2023 filings (which are required to be filed in 2024), defined contribution plans will determine whether they are subject to this requirement based on the number of participants with an account balance at the beginning of the year.

This new method is also used to apply the "80-120" rule. This means that if the plan filed as a small plan (without an audit) in 2022, they will not have to file as a large plan (and have an audit) until there are over 120 participants with a balance.

This change is sure to benefit a lot of plans which may have been subject to an audit under the old rules, or were close to becoming subject to an audit.

USING FORFEITURES IN DEFINED CONTRIBUTION PLANS

Aaron Epstein, QKA

The term “forfeiture” refers to the non-vested portion of a former employee’s account balance in the plan. For example, if a participant is 40% vested in their profit sharing account source when they terminate, the remaining 60% of his profit-sharing account balance will become a forfeiture.

Plan sponsors can use forfeitures in defined contribution plans to take any of the following three actions:

1. Reduce employer contributions Under this option, the forfeitures offset a portion of the contribution the employer would otherwise make under the plan. For example, assume a company has a forfeiture account balance of $3,000. The company decides to make a profit-sharing contribution of 10% of compensation for the year, which equals $35,000. In this case, the company could deposit $32,000 toward the contribution from employer general funds and use the $3,000 in the forfeiture account to bring the total contribution allocation to $35,000.

2. Enhance employer contributions A plan may use forfeitures to provide additional allocations for participants. Under this option, the forfeiture allocated represents an increase to the contribution the employer would otherwise make under the plan. In the example above, if the company’s target profit sharing contribution was $35,000, and they had $3,000 in the forfeiture account, the company could deposit $35,000 toward the contribution from employer general funds and use the $3,000 in the forfeiture account to provide an enhanced profit-sharing contribution of $38,000.

3. Payment of plan-related administrative expenses A plan may provide for the use of forfeitures to first pay reasonable administrative expenses. To the extent forfeitures exceed the amount required to pay expenses, the excess could be used to reduce or enhance employer contributions.

Most defined contribution plan documents include language authorizing all 3 forfeiture uses described above.

In April 2023, the IRS released proposed regulations on forfeiture accounts, including timing for the use of forfeitures. In these proposed regulations, the IRS re-emphasized the existing rule that a plan must use forfeitures no later than 12 months after the close of the plan year in which the forfeiture occurred. For example, if a forfeiture occurs in a calendar year plan in 2024, the forfeiture would have to be used to reduce employer contributions, enhance employer contributions, or pay plan expenses by 12/31/2025.

The proposed regulation has formalized this timing requirement. The proposed regulation also provides for a transition rule. Under the transition rule, any forfeitures that were incurred in any plan year beginning before 2024 are treated as having been incurred in the first plan year that begins on or after 01/01/2024, and must be used no later than 12/31/2025 for a calendar year plan.

In summary, plan sponsors should review their plan document to confirm that it provides for the 3 allowable options regarding how forfeitures may be used. If the document does not currently include all 3 options, it can be amended. Plan sponsors should make sure that the timing of forfeiture use is in compliance with regulations. They can take advantage of the transition rules to utilize any forfeitures incurred prior to 2024 by the end of the 2025 plan year.

Now that the IRS has formalized the timing requirements for forfeiture use, it stands to reason that they are less likely to be forgiving of violations of this requirement.

WHAT'S UP WITH TOP HEAVY?

Kristin Tocket, CPC, QPA, QKA, TGPC

In a qualified retirement plan, if the account balances of key employees exceed 60% of the plan assets, the plan is considered to be top-heavy for the plan year. Being top-heavy triggers a requirement for non-key employees to receive a minimum contribution each year. This mandatory contribution can be a significant financial burden, particularly for small businesses who weren't expecting it.

Nondiscrimination and coverage testing rules have long allowed employers to test otherwise excludable employees (those who haven't reached age 21 or completed a year of service) separately. Disaggregated testing was meant to encourage plan sponsors to permit employees to participate in the plan prior to satisfying the maximum eligibility requirements permitted by law. However, top-heavy was never included in the disaggregated testing rules. Consequently, plans often excluded employees that did not meet the maximum eligibility requirements in order to minimize their top heavy contributions.

Section 310 of SECURE 2.0 offers a solution that will remove some of the financial incentive to exclude early participation: otherwise excludable employees no longer need to receive a top-heavy minimum contribution in a defined contribution plan. This significant change will be effective for Plan years beginning after December 31, 2023.

While this development is promising, there is still a concern for certain top-heavy 401(k) plans that have different entry requirements for employee deferrals than their safe harbor match. Normally, a safe harbor plan is exempt from top heavy as long as the only contributions made to the plan are deferrals and safe harbor contributions.

However, the IRS has ruled that a safe harbor plan which has different eligibility requirements loses its ability to be exempt from top-heavy. This means that participants who have met age 21 and a year of service will need to receive a top-heavy minimum contribution. If they made a deferral of at least 3% of pay, the safe harbor match would satisfy the top heavy minimum, however if they did not defer, or deferred less than 3%, the employer would need to make up the difference to get them to the top heavy minimum.

Given the change to the top-heavy rules, as well as the recent proposed regulations on long-term part-time employees (see Barry and Corey's article), we are hopeful that the IRS will revisit their earlier ruling. However, if it's not addressed, plan sponsors may want to consider amending their plan to switch to a safe harbor non-elective contribution, or to change the eligibility for safe harbor match to align with the eligibility for deferrals.

DEFINED BENEFIT PLANS—CYCLE 3 RESTATEMENTS

Michelle Glassman, QPA, ERPA

To ensure that your plan maintains its tax-qualified status, the IRS requires that the plan be rewritten, or "restated" every six years. The third restatement period ("Cycle 3") for defined benefit plans (including cash balance plans) began on April 1, 2023, and will extend through March 31, 2025.

As we embark on the restatement process in the coming months, our dedicated team will thoroughly review your plan document. Our primary goal is to incorporate changes that comply with the latest laws and regulations, ensuring that your plan continues its tax-qualified status. But our collaboration doesn't end there! As part of our review, we may bring up additional plan design changes that better accomplish your plan's objectives. If you have any ideas or questions, or if you'd like to discuss any changes in your plan provisions, please let us know and we'll work together to tailor the plan to your needs.

We understand that this process may raise questions, and we want to assure you that we're here to help If you have any concerns. Or, if you simply want to discuss the upcoming restatement process, please don't hesitate to reach out to us.

Thank you for entrusting us with the administration of your retirement plans. We look forward to ensuring the continued compliance and effectiveness of your retirement program as we move into the new year – and the new restatement cycle!

Quick Tip: 2024 Limits-at-a-Glance

	2023	2024
Elective Deferrals	$22,500	$23,000
Catch-Up	$7,500	$7,500
Maximum Compensation	$330,000	$345,000
Annual Additions for DC Plans	$66,000	$69,000
Annual Benefit for DB Plans	$265,000	$275,000
HCE Compensation	$150,000	$155,000
Taxable Wage Base	$160,200	$168,600

You can find an expanded list of current and past limits on our website at https://www.preferredpension.com/annual-limits

AUTOMATIC ENROLLMENT UNDER SECURE 2.0

Kristin Tocket, CPC, QPA, QKA, TGPC

One of the many changes under SECURE 2.0 is the expansion of automatic enrollment in 401(k) and 403(b) plans. With automatic enrollment, employers will automatically withhold employee contributions at a default rate from eligible employees' wages. To avoid being automatically enrolled, eligible employees must affirmatively make a deferral election, or choose not to participate. If they do not take any action, they are enrolled at the plan's default rate.

Prior to the enactment of SECURE 2.0, automatic enrollment was an optional feature in retirement plans. However, with these recent changes, most plans established after December 29, 2022 will be required to implement automatic enrollment for plan years beginning in 2025. The following are exempt from the mandate:

- Small businesses with 10 or fewer employees
- New businesses (those that have been in business for less than 3 years)
- Church Plans
- Governmental Plans
- 401(k) and 403(b) plans that were established prior to December 29, 2022

To meet the requirements under SECURE 2.0, sponsors must implement an Eligible Automatic Contribution Arrangement (EACA) that would include the below features:

- Initial default contribution rate of a least 3% but no more than 10%
- The default contribution rate must automatically increase by 1% each year until the rate reaches at least 10%, but no more than 15%
- 90-day permissive withdrawal feature (participants are allowed to withdraw any contributions made under the automatic enrollment feature within 90 days)
- Participants who are automatically enrolled must be invested in a vehicle that meets the DOL's requirements for a Qualified Default Investment Alternative (QDIA)

Employer contributions are not mandatory with an EACA unless the plan document indicates otherwise, such as a safe harbor contribution or a fixed matching contribution. If an employer intends on sponsoring a Safe Harbor plan, they should consider utilizing a Qualified Automatic Enrollment Arrangement (QACA), as opposed to an EACA. While a QACA must meet the same requirements as listed above, these plans can utilize a reduced match formula as compared to a traditional safe harbor match, as well as requiring up to two years of service to become vested.

For more information on adding an automatic enrollment feature to your plan, or any other plan design questions, please contact your plan consultant.

THE EVER-CHANGING RMD LANDSCAPE

Holly Morris, QPA, ERPA

Required Minimum Distributions (RMDs) are amounts that must be withdrawn from qualified retirement plans once a participant achieves a certain age.

Increase in RMD age

Until 2020, the age at which RMDs were required was 70½. The SECURE Act, which was signed into law in 2019, increased the age to 72, effective in 2021. The SECURE 2.0 Act, passed in 2022, further increased the age to 73, then again to 75 for people born in 1960 or later. The required beginning ages are summarized in the following table:

Birth Year	RMD Age
Born before July 1, 1949	70½
Born between July 1, 1949 and December 31, 1950	72
Born in 1951 through 1958	73
Born in 1960 or later	75

Note that the rules were written incorrectly, and we are awaiting guidance on whether age 73 or age 75 will apply to those born in 1959.

If a participant is still employed by the company sponsoring the plan, they can delay taking their RMD until they retire. However, if the employee is a 5% owner (including attribution of ownership from family members) they must take their RMDs regardless of whether or not they are retired.

A participant must take their first RMD no later than April 1 following the attainment of their RMD age; subsequent RMDs must be taken by December 31 each year. For example, if a non-key employee born in 1950 terminated employment in 2022, they should have taken their first RMD by April 1, 2023 for the 2022 year. Then, they must take their second RMD by December 31, 2023.

No RMDs from Roth Accounts

Effective in 2024, this provision corrects an inequity in the law. Roth IRAs were not subject to RMDs, while Roth accounts in qualified retirement plans were subject to RMDs. SECURE 2.0 brings parity between Roth accounts and Roth IRAs by making neither subject to RMDs.

Taxes reduced for missed RMD

If a participant missed taking his or her RMD by the end of the calendar year, or failed to take enough of a distribution, the individual was subject to a draconian excise tax of 50% of the missed amount. Starting in 2023, the penalty is reduced to 25%. If the underpayment is corrected within two years, the penalty is reduced to 10%.

Statute of limitations

In addition to the two-year correction window, there is a three-year statute of limitations for assessing the RMD penalty tax. Most older participants are not aware that the statute of limitations on missed RMDs had been tied to filing Form 5329 with the IRS. This created an issue for those who missed or took too little RMD, as most were not aware of the error and did not file the Form 5329. The new law changes this rule to start the statute of limitations from the individual's filing of their Form 1040 for the year the RMD was missed or underpaid.

This new statute of limitations will only apply the 25% penalty for 3 years of missed RMDs. For any distributions missed beyond 3 years, the penalty will not apply. The big caveat is that it is not clear how to apply the 3 years. As an example, if it is determined in 2023 a participant missed his or

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her RMDs for 2019, 2020, 2021, and 2022, it could mean that this participant may only be subject to penalty tax for 2021 and 2022 as 2019 is outside the scope of the 3-year limitation and the IRS waived RMDs in 2020. Or, the IRS might decide to only apply the statute of limitations from 2023 forward. We will have to wait for more IRS guidance on this issue.

Distribution Periods

The most complex part of the RMD rules involves distributions that occur after the death of the participant. If we were to try to cover all of the rules, this article would probably need another ten pages. So we're not doing that! We'll just try to let you know a few things that were changed by the SECURE Act of 2019.

The new rules did not change for determining the period over which distributions must be taken during a participant's lifetime. But if the participant dies and there are benefits payable to beneficiaries, several significant changes were made by the SECURE Act.

The maximum period over which distribution may be made to the beneficiary depends on two factors: (a) the beneficiary classification, and (b) whether the participant had been required to begin RMDs before they died. Changes to these rules for these two factors are described below.

Change #1: Beneficiary Classification

The SECURE Act of 2019 set up new classifications for beneficiaries, and each classification has different rules on when RMDs must be taken. The classifications are as follows:

- Eligible Designated Beneficiary. These are named beneficiaries who as of the date of the participant's death are one or more of the following:

1) the participant's surviving spouse;
2) a child of the participant who has not reached 21 years of age;
3) someone who is disabled or chronically ill; or
4) an individual not described in 1-3 and who is not more than 10 years younger than the participant.

- Non-Eligible Designated Beneficiary. A person who does not fall into any of the categories above.
- Non-Designated Beneficiary. A designated beneficiary must be a person. Most trusts, estates, and organizations are not considered to be designated beneficiaries for this purpose even though they may be "designated" by an employee to be their beneficiary.
- Successor beneficiary. A beneficiary who inherits the account after the original beneficiary's death; i.e., the beneficiary of a beneficiary.

Change #2: Elimination of the stretch IRA

The SECURE Act added a rule specifying that, in many cases, the account balance of an employee who died must be distributed in full by the end of the tenth calendar year following the employee's death. This new rule curtailed what was known as the "stretch IRA," which allowed the beneficiary to stretch withdrawals over many years, sometimes well past the expected lifespan of the employee. Stretch payments were grandfathered for beneficiaries of participants who died prior to 2020.

At the risk of overstating this caveat, the rules for RMDs are extremely complex. There are many situations that are not covered in this discussion, and many exceptions to the rules discussed in this article. If you have participants or beneficiaries in your plan who are subject to RMDs, we urge you to consult with us and your tax advisor as to the requirements and options regarding these distributions.

FORCE OUTS UNDER SECURE 2.0

Corey Zeller, MSEA, CPC, QPA, QKA

When an employee leaves their employer, they may have a balance in their employer's 401(k) plan, profit sharing plan, or other qualified retirement plan. In general, they would have the right to take their money out of the plan upon separation of employment, but in most cases they also have the right to leave their money in the plan (until they reach RMD age, see Holly's article).

Sometimes the amount left behind will be small, particularly if the employee was not a participant in the plan for a long time. To avoid accumulating a large number of small balances, plans are allowed to "force out" the accounts of former employees with vested balances below a certain dollar threshold, meaning that these small balances can be distributed without the participant's consent. When force outs were first added to the law, the limit was $3,500. It was increased to $5,000 by the Taxpayer Relief Act of 1997, and most recently it was increased to $7,000 by SECURE 2.0, effective starting in 2024.

The increase in the force out limit is advantageous for plans that prefer to force out former employees with small balances, since it will allow more former employees to be forced out. In order to take advantage of the change, the plan document must be amended to reflect the increased force out limit. In most cases, if the plan document already had the $5,000 force out limit prior to 2024, it would be automatically increased to $7,000 starting in 2024. However, if the plan had a lower force out limit, or did not allow force outs, then an explicit amendment would be needed.

This change is also welcome news for plans that are subject to Qualified Joint & Survivor Annuity (QJSA) rules. This includes all defined benefit plans and money purchase plans, as well as certain profit sharing plans and 401(k) plans. Amounts less than the force out limit may be distributed to the participant in a single sum without spousal consent.

In addition, the force out dollar limit is used to determine whether a distribution from a defined benefit plan would be restricted by the plan's funded status. This includes both the AFTAP-based restrictions of IRC sec. 436 as well as the "110% rule" of Treas. Reg. 1.401(a)(4)-5(b).

It's important to note that if a plan provides for force outs, they are not considered to be optional. The plan document language that has been approved by the IRS says that former employees with a vested balance less than the limit "will" be forced out. In the past, the IRS has ruled that a failure to consistently apply a plan's force out provisions will result in those provisions being treated as invalid. Thus, the plan could lose its ability to force out former employees entirely. Therefore, it's important to regularly force out former employees. It's not just to keep the plan accounts clean, it's also for compliance.

Quick Tip: Government Audits

Did you get a notice of an audit from the IRS, Department of Labor, or other government agency regarding your plan? Let us know right away! We can help you respond to the request quickly and appropriately.

We have Enrolled Actuaries and Enrolled Retirement Plan Agents on staff who are authorized to represent you before the IRS.

Being audited does not mean you did anything wrong—the government randomly audits a selection of plans each year. The best way to get through an audit is to respond quickly and completely.

A COMPARISON OF DEFINED BENEFIT AND DEFINED CONTRIBUTION PLANS

Steven Semler, CPC, QPA, QKA

Employer-sponsored retirement plans fall generally into two categories: defined benefit plans and defined contribution plans. Both types of plans are designed to provide plan participants with benefits upon retirement. However there are a number of differences between the two types of plans which we will touch on here.

A defined benefit plan was once the dominant form of retirement plan prior to the 401(k) plan coming into existence 45 years ago in November 1978. “Your grandparent's pension” would provide a periodic payment, usually monthly, called an annuity with an amount typically based on their tenure of service with the company and in some cases their average salary as well. The payment of this benefit, the investment of the plan assets, and ensuring the plan remained adequately funded, were all the responsibility of the employer.

With the inception of the 401(k) plan, the move was underway to transfer the responsibility for providing retirement income from the employer to the employee. Many defined benefit plans had future benefit accruals frozen or the plans were terminated. It then became the employee's responsibility to provide for their own retirement savings by way of having deductions taken from their salary on a pre-tax basis and deposited to a trust account. The plan sponsor could choose to offer a matching contribution to the salary deferral and/or offer a profit sharing contribution, but they were not obligated to do so. Over time, changes were made in regulations to preclude discrimination in amounts that company owners and other highly compensated employees could deposit versus the non-highly compensated employees.

While "traditional" defined benefit plans have seen their best days pass by decades ago, a new form of defined benefit plan has become very popular. That is a "cash balance" plan, which is referred to as a hybrid plan since it is subject to the defined benefit plan regulations yet has the look and feel of a defined contribution plan. Participants are able to better understand their benefits, and therefore have a greater appreciation of the plan itself.

The major differences between a defined benefit and defined contribution plan are as follows. Depending on your point of view, each item can be considered a "pro" or a "con," so no judgment is being applied to each point.

Investment risk

With a defined benefit plan, the plan sponsor assumes all of the investment risk. If the plan assets decrease in plan value, larger contributions may be required in future years to make up for the loss. With a defined contribution plan, the entire investment risk is borne by the plan participant.

Asset management

A defined benefit plan will generally consist of one trust fund and the management of the plan assets is on the shoulders of the plan trustee(s) or a committee assigned by the trustees. Conversely, most 401(k) plans offer participant direction of plan assets through an asset provider with a dedicated website where participants can make investment elections, or through self-directed brokerage accounts. The plan sponsor must ensure that adequate fund choices are available to satisfy Department of Labor requirements, must monitor the performance and expenses of the investment alternatives, and make changes when advisable.

Benefit limits

As the name implies, a defined benefit plan states the amount of the benefit to be provided at retirement age in the form of an annuity in the plan

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document. The current IRS limit on the amount that can be paid in the form of a life annuity is $275,000 per year for 2024 (the "dollar limit") or the participant's highest three year average consecutive compensation if less (the "compensation limit"). The dollar limit is adjusted if the participant retires before age 62 or after age 65. There are also reductions if the years of plan participation or service are less than 10. The resulting plan contributions can be very high—hundreds of thousands of dollars—depending on the plan formula and the employee demographics.

A defined contribution plan on the other hand has a lower contribution limit. For 2024, the maximum annual addition is $69,000 from all sources (salary deferrals and employer deposits such as matching and profit sharing contributions). If a participant is over age 50, they can potentially deposit an additional $7,500 as "catch up" contributions once they reach the salary deferral limit of $23,000.

To summarize, the main difference in the limitations on defined benefit plans versus defined contribution plans is that defined contribution plans have a limit on how much can be allocated to a participant in any given year, whereas defined benefit plans limit how much can eventually come out of the plan when the participant retires.

Ultimate lump sum benefit

Many defined benefit plans offer a lump sum option in addition to the required annuity options. The largest possible lump sum that can be paid from a defined benefit plan, assuming the maximum benefit, is approximately $3.5 million at age 62. The maximum lump sum payable at other ages would be greater or lesser than this amount due to actuarial adjustments. A defined contribution plan has no limitations on the ultimate lump sum benefit that can be paid.

Administrative burden and expense

A defined benefit plan requires additional plan administration. An Enrolled Actuary must certify the plan has met the minimum funding requirement each year. The plan may be required to be covered under a federally-run insurance program which requires additional calculations, government filings, and the payment of a premium each year. Benefit calculations and forms are more complex due to the requirement of providing a number of annuity options in addition to the lump sum calculation (if available).

Defined contribution administration does not require this additional administrative burden, and the administration is less involved than with defined benefit plans.

Both types of plans are subject to compliance tests such as top heavy, coverage and nondiscrimination, and both types of plans must file an Annual Report (Form 5500) with the Department of Labor and the IRS.

Best of both worlds?

Many plan sponsors have chosen the "best of both worlds" by sponsoring both a cash balance plan and a 401(k) plan. Complex nondiscrimination testing is required, but large benefits can often be provided to certain key employees in a cash balance plan while the rank and file employees primarily benefit under the defined contribution plan. The success of this combined plan design depends on the demographics of the plan sponsor's employees.

If you are interested in having Preferred Pension prepare an analysis of the feasibility of having such a combination of plans, please contact us at 908-575-7575 or info@preferredpension.com. Our New Business Consultants can discuss the requirements in further detail.

WELCOME TO THE DANGER ZONE: SECURE 2.0 OPTIONAL PROVISIONS

Corey Zeller, MSEA, CPC, QPA, QKA

To say that SECURE 2.0 added a large number of new retirement plan provisions is an understatement—it was the largest and most far-reaching retirement plan bill in many years! Some of the new provisions are clear wins for plan sponsors and participants. Others are mandatory, and plans will have to implement them whether they like it or not. However, a large number of the SECURE 2.0 provisions are optional. This article will review a number of the optional provisions, and make some suggestions about whether or not you might want to incorporate them into your plan.

Roth Match

What is it?

SECURE 2.0 added the ability for an employee to elect to have matching contributions (and other employer contributions, such as profit sharing or safe harbor contributions) made on a Roth basis. As with Roth 401(k) contributions, the amount of Roth employer contributions is included in the employee's taxable income in the year in which the contributions are made, and both the contributions and earnings can be withdrawn tax-free if the requirements for a qualified Roth distribution are met.

To avoid a situation where the employee pays taxes on a contribution that is later forfeited, the law only permits the Roth election to be made on employer contributions that are 100% vested.

Should you do it?

This is an unequivocal no. There is a great deal that can go wrong when allowing Roth employer contributions, and virtually no benefit.

The tax treatment of Roth employer contributions is not yet clear. Are they required to be included in an employee's wages for withholding purposes? If yes, then it is going to add complexity as they are not subject to FICA taxes. If no, then employees will have to be careful to adjust their withholding elections to avoid underpayment penalties.

Besides that, Roth employer contributions are completely redundant, since plans can already allow employees to elect an in-plan Roth conversion of all or part of their account—including employer contributions! The conversion results in a taxable event in the amount of the conversion, and the amount converted is treated as Roth thereafter.

The only scenario where Roth employer contributions might make sense would be for a defined contribution plan that is not a 401(k) plan—for example, a money purchase plan—that wishes to allow its participants to elect Roth treatment on their accounts. However, money purchase plans are rare these days and have been mostly replaced by profit sharing and 401(k) plans.

Student Loan Matching

What is it?

Many younger employees in the workforce are carrying a substantial amount of student loan debt. With limited income, they may be forced to make a decision between paying down those loans, or contributing to the 401(k) plan offered by their employer. While paying down the debt may be the right choice, it could mean giving up any matching contributions offered by their employer if they can not contribute to the 401(k) plan.

Student loan matching programs are designed to make it easier for employees to pay down their student loans, by allowing employers to make 401(k) matching contributions based on qualified student loan repayments. In other words, the employer may treat the student loan payment as if it were a 401(k) plan contribution when calculating their match. The employee must certify to the

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employer each year that they made the student loan payments.

Should you do it?

While it's admirable to encourage employees to pay back their student loans, and any assistance the employer can provide is welcome, this may not be the best way to approach it. Adding student loan matching would require the employer to obtain information on all of their employees' student loans, and how much they have repaid on those loans, and keep that information up-to-date each year. This is not normally information an employer would need to have, and payroll systems are unlikely to have a spot to enter this information, which means the employer would now need to calculate the matching contributions manually.

Furthermore, there is likely a disconnect between the matching contribution deposit and student loan repayment frequency. If matching contributions are made every two weeks, but the employee makes their loan payments once a month, what amount is used for the matching contribution calculation?

Ultimately, adding this provision is an incentive to not contribute to the 401(k) plan, and therefore we feel that most employers would be better off not including it in their plans.

Military Spouse Credit

What is it?

This is a new tax credit available to small employers who cover military spouses in their retirement plans. The credit is up to $500 for each military spouse per year, for up to 3 years starting when the military spouse first becomes eligible to participate in the plan.

In order for the employer to be eligible for the credit, the military spouse must be eligible for the plan no later than 2 months after their date of hire. In addition, they must immediately be eligible for the same level of employer contributions that a similarly-situated employee who is not a military spouse would be eligible for after 2 years of service. The military spouse must also be immediately vested in the employer contributions.

Should you do it?

If your plan already meets the eligibility, vesting, and contribution requirements, then go ahead—it's an easy tax credit to claim! You will just need the employee to certify the name, rank, and service branch of their spouse who is on active duty. However, if your plan does not already meet the requirements, it does not seem worthwhile to change those requirements just for the tax credit. However, that analysis may change if you have a large number of employees who are military spouses and you could be entitled to a substantial credit.

Emergency Expense Distributions

What is it?

Plans may permit participants to take a distribution of up to $1,000 per year in the event of unforeseeable or immediate financial needs relating to necessary personal or family emergency expenses. This distribution is exempt from the 10% penalty tax on early withdrawals. After taking an emergency expense distribution, the employee may not take another one for 3 years, unless they first repay the amount of the earlier distribution.

Should you do it?

We recommend against allowing these distributions. Plans may already permit hardship distributions, which do not have the $1,000 limit or the

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once-every-3-years restriction. Allowing emergency expense distributions in addition to hardships is likely to lead to confusion and improper plan administration.

Pension-Linked Emergency Savings Accounts (PLESA)

What is it?

A PLESA is a sidecar account attached to an employee's 401(k) account. This account may only receive employee contributions, and those contributions may only be Roth. There is a maximum account balance of $2,500; once the account goes over $2,500, no further contributions may be made until the account goes under that amount. The account must be invested in a vehicle designed to preserve principal and provide a reasonable rate of return.

The account is intended to be used for the participant's emergency savings. To that end, the plan is required to allow the participant to withdraw from this account no less frequently than once per month, in any amount that the participant chooses. No fees may be charged for the first four withdrawals from this account each year.

Should you do it?

With all of the special requirements that apply to PLESAs, plus the prohibition on charging a fee for up to 4 distributions a year, we recommend that you do not allow PLESAs in your plan.

Unenrolled Participant Notice

What is it?

There are a number of notices that are required to be provided to all participants in a plan. The definition of "participant" usually includes everyone who has satisfied the plan's requirements, regardless of whether they are actually contributing to the plan. SECURE 2.0 allows plans to provide a simplified notice to participants who have no balance in the plan, reminding them that the plan exists and of the benefits of contributing to the plan.

Should you do it?

While less paperwork sounds nice in theory, in this case we recommend against the simplified notice. From an employer's perspective, this is actually more paperwork, since now they have another special notice that needs to go to a certain subset of their employees, in addition to the other notices that have to go to different employees. It is simpler for the employer to provide the same set of notices to everyone, and not have to worry about who needs which notice.

Qualified Disaster Distributions

What is it?

In recent years, Congress has regularly passed laws in the aftermath of a major disaster to allow affected individuals to access funds in their retirement plans. The rules added for each of these incidents were largely similar.

With SECURE 2.0, there is no longer any need for Congress to act on a case-by-case basis in the event of disasters; there is now a standing provision allowing plans to offer expanded distributions and loans in the event of a federally-declared disaster.

Participants who lived in the disaster area and who suffered an economic loss due to the disaster may now be able to take a distribution of $22,000 per disaster. This amount is not subject to the 10% penalty tax on early distributions, and the income tax on the distribution may be spread out over 3 years. The amount of the distribution may also be

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repaid to the plan over up to 3 years.

In addition, participants may be able to take a loan from the plan in an amount of up to $100,000, or 100% of their vested account balance—twice the normal limits. The loan payments are permitted to be delayed by up to 1 year, and the normal loan term of 5 years may also be extended by a year.

Should you do it?

We've seen these sorts of distributions work well for recent disasters when Congress stepped in to provide some relief. It can be good for participants to know that they will have access to their retirement savings in the event of a disaster, so sponsors may want to offer this option. It should also be possible for plans to only offer the special distributions or the increased loan limits, if one option is more palatable than the other.

One possible caution is that putting a blanket option in the plan allowing qualified disaster distributions or qualified disaster loans could create a right to those special distributions or loans as soon as the disaster happens; if a plan sponsor wanted to limit them to certain disasters, that could cause a problem. It might be better in that case for the sponsor to amend their plan to make qualified disaster distributions and loans available on a case-by-case basis, and limit their availability to certain disasters, identified by name.

Domestic Abuse Distributions

What is it?

Plans may allow a distribution, limited to the lesser of $10,000 (indexed to inflation) or 50% of the vested account balance, to a participant who is a victim of domestic abuse. The plan administrator may rely upon the participant's certification that they have been affected by domestic abuse within the last year. The distribution is exempt from the 10% excise tax on early withdrawals, and it may be repaid within 3 years.

Plans which are subject to the qualified joint and survivor annuity requirements (including all defined benefit plans, money purchase plans, and certain 401(k) or profit sharing plans) may not offer domestic abuse distributions.

Should you do it?

Individuals who are affected by domestic abuse often have very limited access to financial resources that could help them escape their situation. Allowing access to a distribution from their retirement plan could be invaluable in certain circumstances.

However, since the distribution requires that the employee certify their status as a victim of domestic abuse, it necessarily entails employees disclosing this sensitive information to their employer. Some employees may not feel comfortable providing this information, and some employers may not feel comfortable receiving it. Ultimately, the choice to offer domestic abuse distributions in a plan is going to depend on whether the employer wants to be involved with their employees' personal affairs at this level.

Self-Certification for Hardship Distributions

What is it?

401(k) plans may offer distributions in the event of financial hardships, defined as a heavy and immediate financial need. The regulations define seven safe harbor criteria which are deemed to meet the "immediate and heavy" standard. Because of their safe harbor status in the regulations, many plans will allow participants to take a

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hardship withdrawal only if the distribution is on account of one of those seven reasons.

SECURE 2.0 provides that an employee may self-certify that they have a financial need of one of the types specified in the regulations, and that the amount of the distribution is no more than the amount necessary to satisfy the need. The employer may rely on the employee's self-certification and does not need to investigate the matter further, or request documentation, unless they have actual knowledge to the contrary of the employee's certification.

Should you do it?

Self-certification has already been an accepted practice for a number of years, based on standards published in the IRS audit guidelines. Those are merely guidelines published by the IRS which do not have the force of law; what's changed with SECURE 2.0 is that self-certification is now the law and the IRS can not overrule it.

Self-certification is not only easier for employees and employers, it relieves the employer of responsibility for determining the veracity of the information submitted. We recommend that employers which offer hardship distributions in their plans allow employees to self-certify their hardship distributions.

Increased Catch-up Limit

What is it?

Participants who will have reached at least age 50 by the end of the year can be allowed to exceed the normal 401(k) contribution limit by making catch-up contributions. Starting in 2025, SECURE 2.0 increases the catch-up limit—but only for participants who will be exactly age 60, 61, 62 or 63 at the end of the year. In other words, the catch-up limit will go up in the year when the participant reaches age 60, and then go down in the year when the participant reaches age 64.

Should you do it?

It's easy to recommend catch-up contributions in general. As long as catch-up contributions are offered to all eligible participants, there are no testing or top-heavy requirements attached to catch-up contributions, so it's free extra contributions for a segment of the plan population.

The analysis for this special increased catch-up limit is largely the same, but with the caveat that administration will become somewhat more difficult. Employers are going to have to make sure that their payroll systems are programmed to accommodate the fact that certain employees will have different limits at different ages, and unlike other plan limits, the catch-up limit will go down once the employee reaches a certain age. As long as the employer is comfortable administering the changing limits, this is a good thing to include in your plan.

Conclusion

While the information provided in this article is a good starting point for evaluating whether or not to add a certain provision to your plan, it is impossible to analyze every situation in this format. Even if we recommend against a provision in general, it could still be the right choice under certain circumstances. Contact us to review your needs and analyze any of these or other optional plan provisions with an eye towards your individual situation.

Deadlines are Approaching

NEW: E-Filing Threshold

Filers who will submit more than 10 returns in a calendar year must do so electronically. This limit was reduced from 250. If you intend to file your 5500-EZ or other returns on paper, make sure you are eligible to do so.

Required Designation on W-2 Forms:

Employers must indicate on Form W-2 if an employee is an active plan participant. If an employee is covered under a plan during 2023 whether or not the individual is vested), the "Retirement Plan" Box in Section 13 on Form W-2 must be checked.

For Participants Receiving Distributions:

If a participant received a distribution from a pension plan during 2023, Form 1099-R must be sent to the participant no later than January 31, 2024 and filed with the IRS no later than February 29, 2024 on paper, or April 1, 2024 electronically. In addition, if any Federal income tax was withheld from the distribution, the withheld taxes must be reported on Form 945.

Required Minimum Distributions:

In general, participants who are at least age 72 in 2023 and who either have terminated employment or who own more than 5% of the company must receive minimum distributions by the end of the year. Failure to distribute the required minimum may result in a 50% excise tax to the participant on the undistributed portion of the minimum.

If you need assistance determining the minimum distribution, please call us as soon as possible.

PLANSPONSORLINK

Many of you are familiar with the secure site we have created for delivering and receiving information.

On our website, you will see a link in the top right hand corner titled "Manage Plan", which will bring you to pppc.plansponsorlink.com.

Your username is your email address. If you have trouble with your password, you may click "Forgot password?" and it will be reset.

If this is your first time using the link, just click on "New User Setup" to create an account.

There are many benefits to using PlanSponsorLink. Data is submitted securely and is received instantly.

Costs of delivery are eliminated and you're going green to help the environment.

Errors are less likely, since data is directly imported, and documents are readily accessible from any location where you have internet access.

Recurring Important Deadlines Calendar Plan Years

Plan Year Deadline	General Due Date*	Description of Action Due on Date	Penalty for Failure to Comply
03/15	**2 ½ months after close of plan year**	**Due date of correcting failed 401(k) plan non-discrimination tests without penalty**	**10% excise tax charged to employer**
03/15	2 ½ months after close of plan year	Due date for depositing employer contribution if an S-corporation, partnership or multi-member LLC and tax forms are not on extension	Cannot deduct contribution for plan year
04/15	**3 ½ months after close of calendar year**	**Due date for correcting excess 401(k) deferrals from prior year (employee exceeds IRS limit)**	**Participant double taxed on excess. Taxed in years withheld and distributed**
04/15	3 ½ months after close of plan year	Due date for depositing employer contribution if a C-corporation, sole proprietorship or single-member LLC and tax forms are not on extension	Cannot deduct contribution for plan year
07/31*	7 months after close of plan year	Due date for annual Form 5500 filing, without extension	IRS penalty $250 per day to $150,000 and DOL penalty of up to $2,586 per day (no limit)
09/15	**8 ½ months after close of plan year**	**Minimum funding deadline for Defined Benefit and Money Purchase plans**	**10% excise tax charged to employer**
09/16 **	8 ½ months after close of plan year	Due date for depositing employer contribution if an S-corporation, partnership or multi-member LLC and tax forms are on extension	Cannot deduct contribution for plan year
10/15*	**9 ½ months after close of plan year**	**Due date for annual Form 5500 filing, with extension**	**IRS penalty $250 per day to $150,000 and DOL penalty of up to $2,586 per day (no**
10/15	9 ½ months after close of plan year	Due date for plan audit and opinion, if applicable	DOL: $2,586 per day
10/15	9 ½ months after close of plan year	Due date for depositing employer profit sharing contribution if C-corporation, sole proprietorship or single-member LLC and tax forms are on extension	Cannot deduct contribution for plan year
12/31	12 months after close of plan year	Last possible day to correct a failed ADP test by distributing excess deferrals to Highly Compensated Employees	Employer would be required to make a QNEC within 12 months

*Please note the above dates are for Calendar Year Plans. Dates for other plan cycles can use the "General Due Date" to determine when actions are due.

**Date adjusted for weekends and/or holidays

Safe Harbor Plans

Each year a 401(k) Plan must pass certain nondiscrimination tests. However, a 401(k) Plan can be designed to automatically pass these tests if the Plan operates as a Safe Harbor Plan.

There are several types of Safe Harbor contribution formulas. The formula options to consider are dependent on several factors. These factors include the amount of employer contributions desired, whether or not the Plan is Top-Heavy, and which participants will receive the contribution.

"A 401(k) Plan can be designed to automatically pass nondiscrimination tests if the Plan operates as a Safe Harbor Plan."

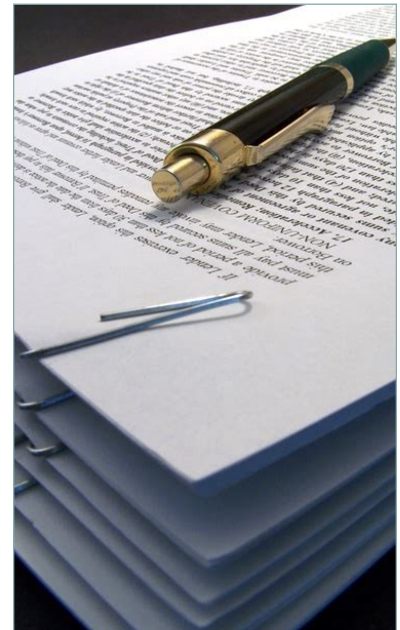
All traditional Safe Harbor contributions are immediately 100% vested and all eligible employees must receive a safe harbor contribution, regardless of the number of hours worked or whether or not they are employed on the last day of the Plan year.

Certain conditions must be met before a Plan can become Safe Harbor. First, the Plan must include language to allow for Safe Harbor contributions. Second, a Safe Harbor Notice must be provided to the participants a "reasonable" amount of time before the beginning of the Plan Year. 30 to 90 days prior to the first day of the Plan year is automatically considered reasonable.

For calendar year Plans, it is recommended to provide the Notice no later than December 1, 2023

Those who currently have a Safe Harbor plan should have already received your 2024 Notice. If you decide to stop this contribution or change the type of Safe Harbor for 2024, please contact your administrator immediately.

If you have any questions or would like to discuss the possibility of adding Safe Harbor provisions, please contact your plan administrator as soon as possible.



Plan documents

Periodically, our Plan Document department will send you amendments to keep your plan compliant. We want to remind you that it is good practice to sign and return amendments and other plan documents to us on a timely basis.

In the eyes of the IRS, the Plan Sponsor is ultimately responsible for the maintenance and retention of the plan documents. This includes not only the current version of the plan but all previous documents back to the plan's original effective date.

If you sign and return all of your plan documents, we will maintain them for you in case they are requested by the government when the plan is restated or audited.

Reminder: There is no statute of limitations on Plan Documents. All documents no matter how old, must be saved.

Record Retention

Under ERISA, the plan administrator (usually the employer) is responsible for retaining copies of all plan-related materials. A question is often raised, "How long should we keep this information?" As a general rule, all plan-related information should be kept until seven years after the final Form 5500 has been filed upon plan termination. This should include all reports; census information; benefit distributions; and government forms and filings. Supporting documents to the plan – such as cancelled checks; payroll records; financial statements; the Employer's federal and state returns; and benefit statements – should also be kept for at least seven years.

In addition, the DOL requires employers to permanently maintain records sufficient to determine the amount of benefits accrued by all participants. Although it is fairly common for a plan administrator to use an outside service provider to prepare certain reports and documents, the plan administrator is ultimately responsible for retaining all of these records.

Special Timing Rules for 401(k) Deposits:

A reminder of the DOL position, employee deferrals must be segregated from the assets of the employer as soon as administratively possible.

The DOL provides a 7 business day safe harbor rule for plans with fewer than 100 participants.

Other plans must deposit employee contributions as soon as they can be reasonably segregated.

Plan Bonding Requirements

The Employee Retirement Income Security Act of 1974 requires that all "fiduciaries" of retirement plan trusts be covered by a surety bond in an amount equal to at least 10% of the Trusts' assets (with a minimum bond amount of $1,000 and a maximum amount of $1,000,000). Plans that only cover owners and their spouses are exempt from this requirement.

Fiduciaries include administrators, officers, trustees, custodians, or anyone who exercises any control over the Plan or its assets.

If you already have a fiduciary bond covering the Plan, please check to be certain that the amount of coverage is sufficient.

If you do not already have a fiduciary bond covering the Plan, you should immediately contact your insurance broker or our office to obtain the required coverage.

Electronic Invoicing & Payments

In an effort to “go green,” we will be issuing our invoices through email where possible.

Please provide us with the appropriate email address to receive invoices if you have not done so already. All invoices can be paid through our online payment portal at https://www.preferredpension.com/pay.

If you have any questions, please contact us for further information.

We are pleased to announce that Preferred Pension Planning Corporation has obtained our certification from CEFEX for the 9th year in a row.

Having this certification gives us an edge in a competitive industry where clients are discerning about who to trust. With an in-depth set of rules to follow, employees are motivated to be aware of their procedures and be rigorous in their documentation. By being transparent about our policies and procedures, we develop a relationship with our clients and their advisors as providing excellent service, a valuable reputation to have in an often tumultuous financial world.

The certification is comprised of four elements:

1)Organizational business structure

2)Formalized process and controls

3) Implementation

4) Monitoring procedures for continuous evaluation.

The certification strives to deliver a sense of credibility and promotes a community that focuses on providing a service with impeccable structure and organization. It relies on employees monitoring their practices and reviewing their work to be sure they are meeting the certification standards. Companies who are meeting these criteria are seen as reliable, trustworthy, and are known for having high-quality procedures and practices.

When choosing a retirement plan professional, this certification should be a staple on your "pros" list!

We are truly grateful to you for choosing us as your trusted qualified retirement plan administration firm for the past 38 years!

You are our inspiration in doing our very best.

We look forward to serving you in 2024!

ASPPA Credentials

At Preferred Pension Planning we pride ourselves on our education and professionalism. Many of our staff have, or are currently pursuing credentials issued by the American Society for Pension Processionals and Actuaries (ASPPA), the leading industry association for retirement plan professionals.

Congratulations to our hardworking staff who earned the following in 2023:

- Aaron Epstein earned his QKA
- Lawrence Avalos earned his QKA

16 members of our staff have now earned ASPPA credentials.

For more information on our credentials please see our website: https://www.preferredpension.com/education

Privacy Policy Notice

In the course of providing our clients with pension consulting advice, we receive significant personal financial information from our clients.

If you are a client of Preferred Pension Planning Corporation, you should know that all information we receive from you is held in confidence, and is not released to people outside the firm, except as agreed to by you, or as required under applicable law.

We retain records relating to professional services that we provide so that we are better able to assist you with your professional needs and in some cases, to comply with professional guidelines.

In order to guard your nonpublic personal information, we maintain physical, electronic, and procedural safeguards that comply with our professional standards.

Preferred Pension Planning Corporation is a qualified retirement plan administration firm dedicated to providing exceptional client service from a knowledgeable, well-informed staff. Our goal is to design the best possible retirement plans for our clients and facilitate smooth and efficient plan administration. Preferred Pension Planning Corporation is a member of ASPPA and certified by CEFEX.

Please visit our web site at www.preferredpension.com and follow us on LinkedIn for all types of news relating to the pension industry.

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