



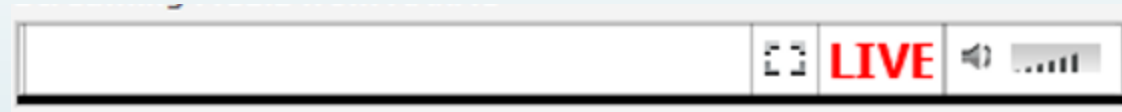
# Best Practices for 401 (k) Plan Administration

Presented by:

Jason Dwyer, CPFA, QKA

Jackson Avenue, LLC

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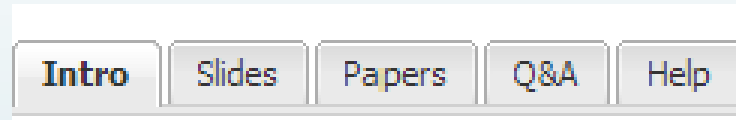
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# Best Practices for 401 (k) Plan Administration

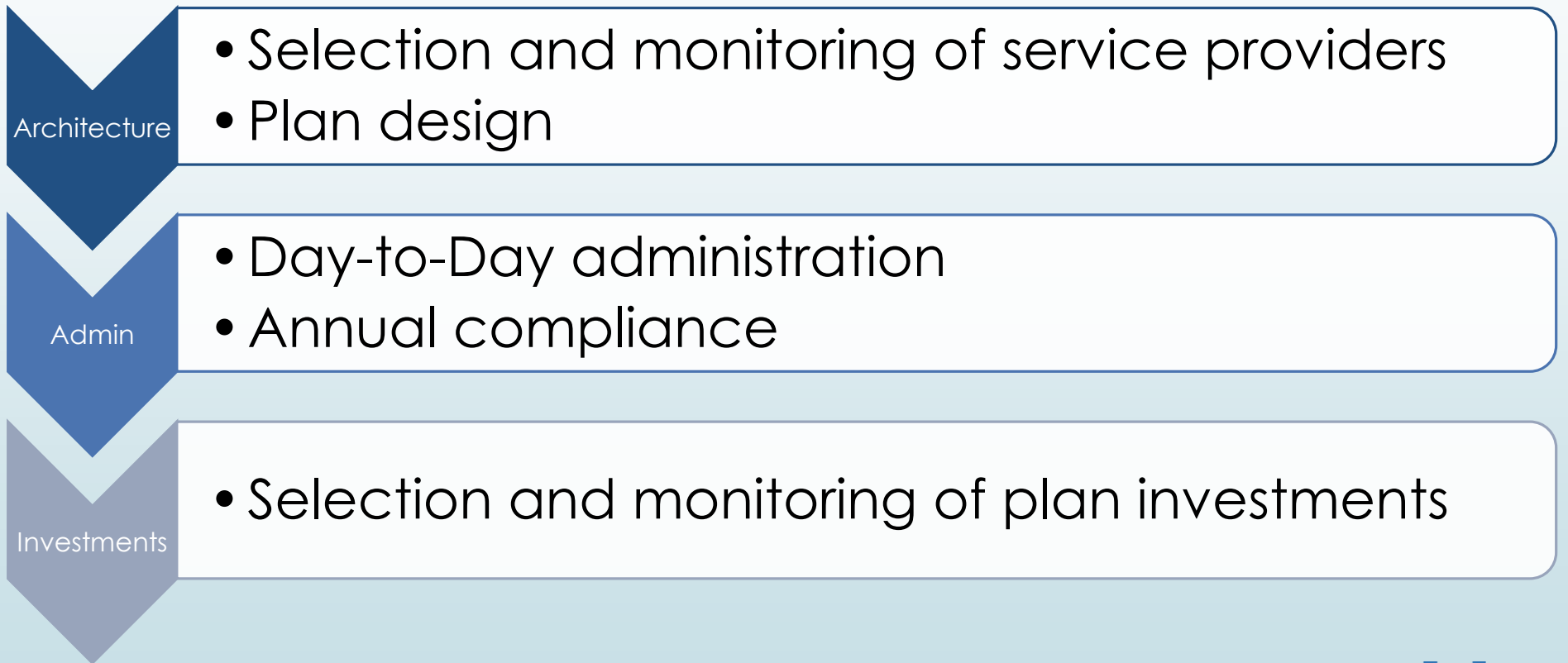
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# Main Functions of a 401 (k) Plan





# Today's Discussion

- What are the potential penalties
- What does Plan Administration entail
- What are the requirements
- What is most important
- What are your best practices



# Potential Penalties

Failure to:	Penalty
Provide statements	\$28/employee
File IRS Form 5500	\$2,140/day
Furnish auto enroll notice	\$1,632/day
Furnish blackout notice	\$136/day/employee
Respond to EE's request for info	\$147/day
Remit withholdings	Complicated but at least lost earnings
Provide benefit information	\$147/day/ incident
Requested documents by DOL	\$152/day
Making an improper distribution	\$15,909/distribution
Breach of Fiduciary duty	20% of the recovery amount



# Plan Administrator

- The administrator is the fiduciary responsible for overall governance of the plan with the exception of the trustee functions.
- Together, the trustee and administrator carry nearly all of the legal responsibility for operating a retirement plan subject to ERISA.
- In most cases, the employer is the Plan Administrator



# Plan Administration

- Official vs. Un-official/clerical  
AKA
- Fiduciary vs. non-fiduciary

# Plan Administration

## Official

Fiduciary-Legally responsible Party

Named in the Plan Document

Almost always the Plan Sponsor

## Un-Official

Not a Fiduciary

Service providers

HR staff

Acting as directed



# Requirements

- Reporting
- Distributions
- Contributions
- Employee Communication
- Compliance
- Fiduciary Insurance (not required but a great idea)
- Fidelity Bonding



# Requirements



## Reporting

- New Hires
- Terminations
- Pre-Tax
- Roth
- Hours
- Addresses
- E-Mails



# Requirements

## Distributions

All employee distribution requests, including loans, must be approved

Approval means they comply with the plan document



# Requirements

## Contributions

The #1 most important issue!

Deductions must be correct

Deductions must be deposited timely



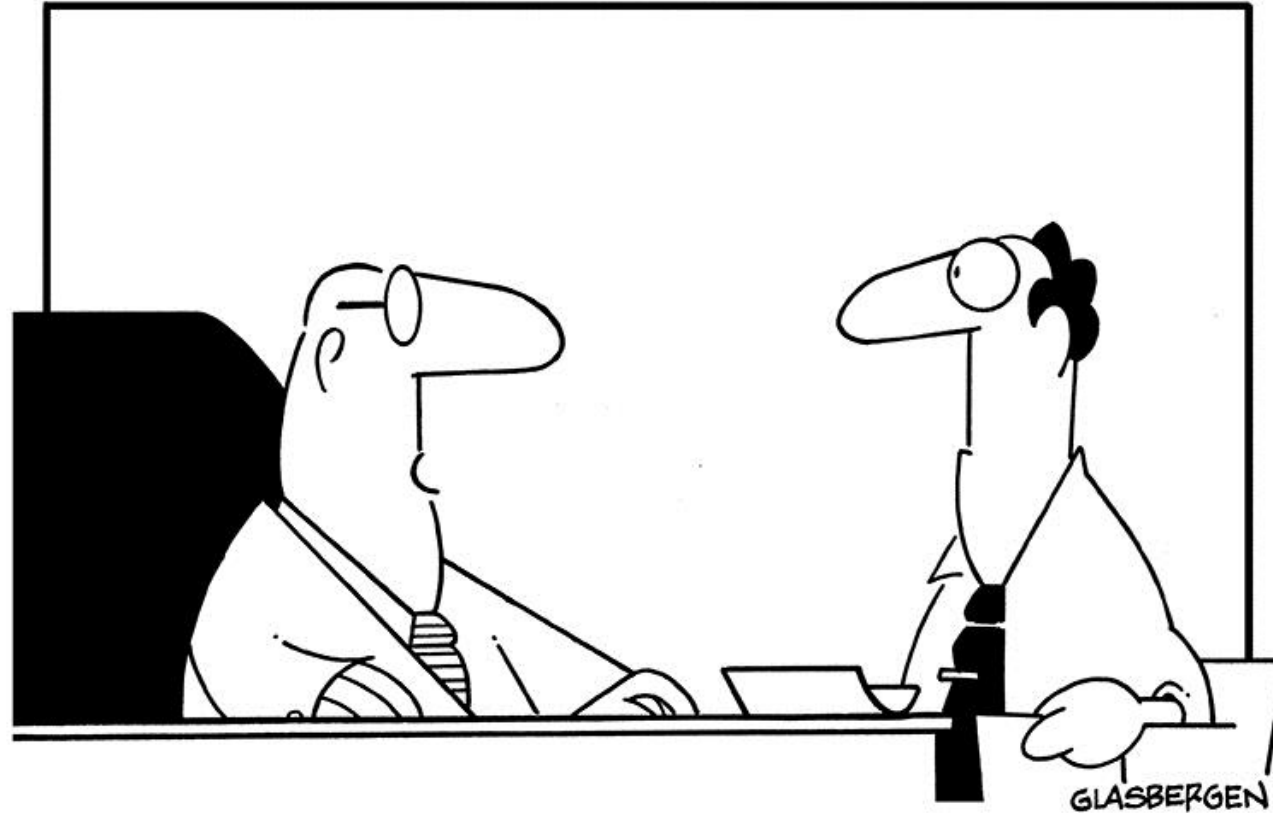
# Requirements

Employee  
Communication

Automatic Enrollment  
Safe Harbor  
Qualified Default  
Investment Alternative  
Summary Plan  
Descriptions  
Summary Annual  
Report  
Fee Disclosure  
Summary of Material  
Modifications

# Intermission

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**"I'm sorry, I wasn't listening. Can you repeat everything you've said to me since you started working here?"**



# Requirements

## Compliance

- IRS Form 5500
- Highly Comp Test
- Top-Heavy
- Deferral/Roth Limit
- Coverage
- Annual Additions
- Plan Docs

# Requirements

## Fidelity Bond

Type of insurance that protects against fraud or dishonesty

10% of assets handled annually

\$1,000 min  
\$1,000,000 max



# Requirements

## Fiduciary Insurance

Protects fiduciaries against losses to a plan as a result of errors or omissions or breach of their fiduciary duties



# But my recordkeeper takes care of it.

- Record keepers are not fiduciaries
- Simply maintain your records
- Assume no responsibility
- Act at your direction



# Plan Providers (aka Recordkeepers)

- [Rek-erd-kee-ping]
  - The maintenance of a history of one's activities, as financial dealings, by entering data in ledgers or journals, putting documents in files, etc.
- Garbage in; Garbage out
  - The Plan Sponsor must ensure the recordkeeper has accurate data



# Play Offense & Defense

## Offense

Know what  
your  
recordkeeper  
does

Know what  
you must do  
or have done

## Defense

Most errors are  
in contribution  
reporting

Reconcile your  
payroll records  
with your  
recordkeeper





# Offense – Who does what?

- Employee enrollment
  - Notices
  - SPD
- Annual notices
  - Fee disclosure
  - QDIA
  - Safe Harbor
  - Automatic Enrollment
  - SAR
  - SMM
- Employee Communication Requirements
  - E-Mail?
- Employer contribution calculation



# Defense – Check it & Fix it Now!

- Most errors are contribution errors
  - Voided or corrected payroll
  - Contributions by ineligible or suspended participants
  - Manual keying errors
  - Incorrect match calculation by payroll provider
- Try and fix in the same plan year
  - Not as simple as reporting a negative contribution
  - Must adjust for market fluctuation
  - Employer money is much easier to fix



# What is most important?

- Correct contribution reporting
- Timely contribution reporting
- New employee communication
- Annual employee notices



# Your Best Practices Are:

- Know what needs to be done and when
- Understand what services are being provided
- Reconcile your payroll records with your plan recordkeeper quarterly
  - Including a match calculation verification
- Utilize Plan design options to ease reporting requirements
  - Eligibility and vesting requirements
  - Definition of compensation
- Make sure you have Fidelity bond coverage
- Consider Fiduciary insurance
- Have a true 401(k) advisor/consultant for unbiased support



# Broad Stroke Best Practices Are:

- Review your plan operation annually
- Review your service providers annually
- Benchmark your service providers every 3 years
- Review your plan design annually



# Questions

## Best Practices for 401 (k) Plan Administration