BENEFITS ADVANTAGE

For employers sponsoring retirement plans | TPA Solutions | **tpa.ascensus.com** | 2018 No. 2

Plan Ahead to Set Up a Safe Harbor Plan Option

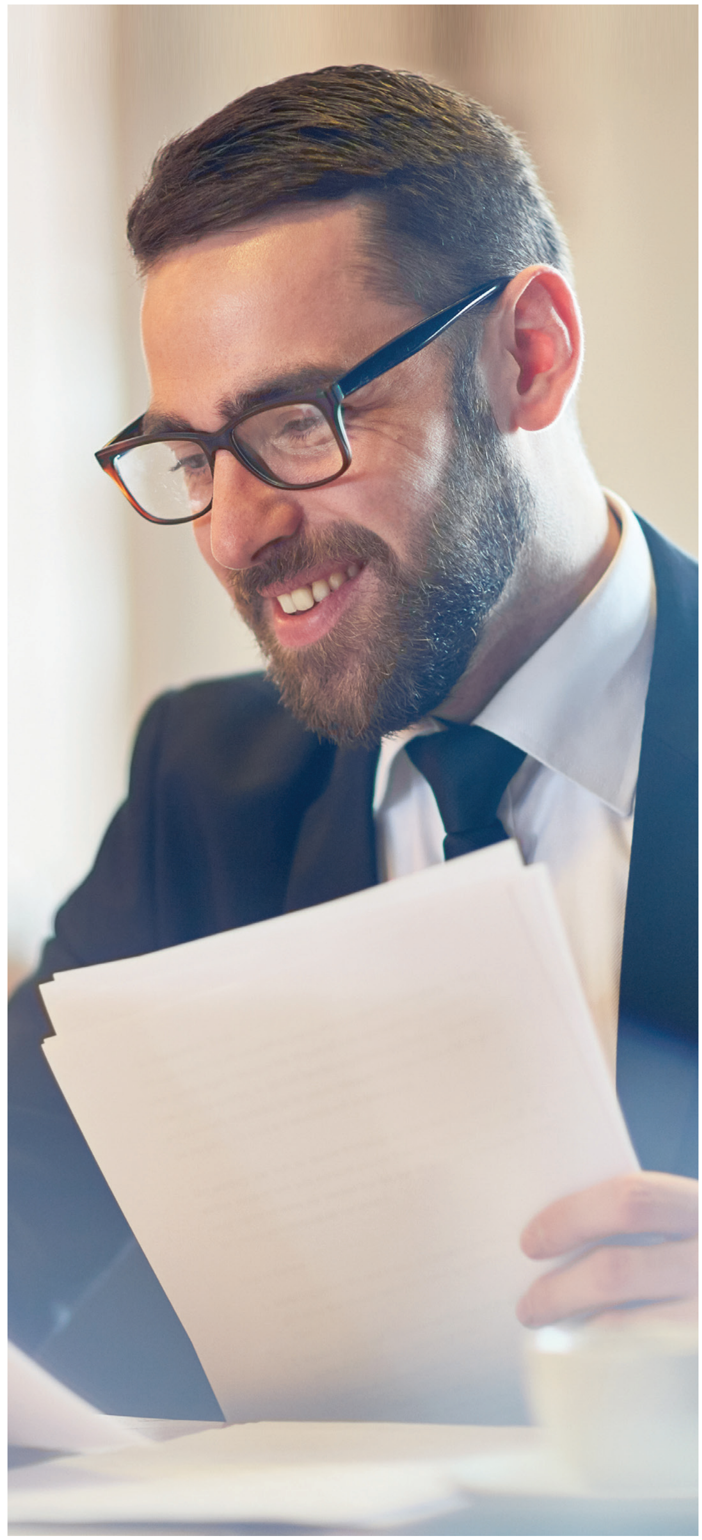
Now is a great time to consider whether your existing retirement plan could benefit from a safe harbor 401(k) plan design. Safe harbor plans relieve employers from several nondiscrimination tests, such as the Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests, in exchange for providing employees with a meaningful contribution. This testing "safe harbor" benefit often outweighs the modest burden of meeting the plan requirements, especially if your plan often fails the ADP test. If you want to allow your company's owners and other key employees to defer more into your plan—while providing your workers with a meaningful retirement savings incentive—consider a safe harbor option.

Safe harbor notice timing

If you'd like to add a safe harbor amendment to your plan, please keep in mind that a 30-day advance notice is required to be distributed to all plan participants before the start of the next plan year. Therefore, it's important that ample time —up to six weeks—is allowed to prepare and execute the amendment.

Safe harbor plan features

- Non-discrimination tests (ADP and ACP) are deemed to pass, so owners can defer more of their compensation.
- In most cases, a safe harbor plan automatically satisfies the top heavy test.
- Participants must be immediately vested in any safe harbor contributions deposited on their behalf.



continued on page 2

continued from page 1

Safe harbor contribution options

An employer must make annual contributions under one of the following three methods.

- *Non-elective Contributions*: Under this safe harbor contribution method, the employer must make a non-elective contribution equal to at least 3% of each participant's compensation.
- *Basic Match Formula*: Contributions under this option are allocated only to participants who make employee deferrals. The formula is
    - 100% match for the first 3% deferred; and
    - an additional 50% for the next 2% deferred.
- *Enhanced Match Formula:* This option may be used if the employer wants to provide a more generous contribution match for lower-deferring employees than the Basic Match Formula described above—or just to keep things simpler. The most common formula is a 100% match up to 4% of deferred compensation. There are limitations on how generous this formula can be to avoid ACP testing.

Compliance considerations

- The safe harbor employer contribution isn't a discretionary employer contribution option. Rather, it must be contributed each year unless the plan is amended beforehand to remove the safe harbor language.
- Required safe harbor notices must be distributed to all plan participants no later than 30 days before the start of each plan year.
- Plans that allow for additional matching contributions are subject to certain limitations and nondiscrimination tests, if applicable.
- Withdrawal restrictions for employer safe harbor contributions may be more restrictive than for other money types.

IMPORTANT: Establishing a new safe harbor 401(k) plan

- A new safe harbor 401(k) plan must be in place for at least three months of the first plan year. For example, a calendar year plan would need to be effective no later than October 1.

Ascensus TPA Solutions administers many different safe harbor plan design options. We'd be happy to discuss any questions you may have and to help you determine whether a safe harbor option could enhance your retirement plan.

Defined Benefit Plan Updates

Modified interest crediting rate now allows for actual rate of return

IRS Revenue Procedure 2018-21 extends the use of the actual rate of return on plan assets as the rate to determine interest credits to pre-approved cash balance plans.

Previously, this option was only available in individually designed cash balance plan documents. The actual rate of return is a viable option to consider for certain sponsors adopting a cash balance plan to pair with the 401(k) plan for additional tax deductions.

Defined benefit plan restatement due date – April 30, 2020

The IRS has issued approval letters for new pre-approved defined benefit plan documents, and, for the first time, cash balance plan documents. Along with the approval letters, the IRS announced that April 30, 2020, is the deadline for sponsors of defined benefit and cash balance plans to restate their plans to the new pre-approved documents.

TPA Solutions anticipates having the supporting forms in summer 2018 to begin restating defined benefit and cash balance plans.

If you sponsor a defined benefit or cash balance plan, watch for future communications regarding the restatement process.

403(b) Plan Sponsors: Update Your Plan Document by 2020

403(b) plan sponsors that want assurance that their plan documents, as written, comply with 403(b) plan requirements are required to restate their current plan documents by March 31, 2020, using new, IRS preapproved 403(b) plan documents (ERISA and Non-ERISA versions).

If you're a 403(b) plan sponsor – which includes mainly tax-exempt 501(c)(3) organizations, schools, and hospitals – and haven't already restated your plan, this required restatement is an opportunity to review your plan and add enhancements to meet your organization's and participants' retirement savings objectives.

Next steps and plan review ideas

Consider the following related to your current plan:

- Is the current plan design within the framework of the new, preapproved 403(b) plan program?
- Are current plan practices and procedures in line with the new documents?
- Does the plan meet the needs of the organization and the plan's participants?

After your plan document is restated, remember to provide Summary Plan Description (SPD) booklets to the plan's participants, as applicable. The SPD provides them with high level explanations of their available retirement plan account options. The SPD can encourage them to reflect on their retirement goals and then make any necessary contribution adjustments.

Contact us for more information about the new, preapproved plan document for 403(b) plans. ■

Compliance Reminders 3Q2018

This list of reminders highlights important dates for retirement plan administrators; however, it isn't a listing of all compliance dates. Please contact your consultant with questions about compliance dates for your plan.

July 2018

15 Minimum funding requirements for defined benefit, money purchase, and target benefit plan years ended October 31, 2017, must be met by July 15 in order to avoid excise taxes. An electronic transfer must be completed or a check mailed by this date.

16 Retirement plan employer contributions are due in order to be deducted on employer tax returns due to be filed July 16, 2018.

16 Form 5500 Series/8955-SSA – Forms that are on extension are due for the plan year ended September 30, 2017.

31 Form 5500 Series/8955-SSA – Forms are due for the plan year ended December 31, 2017, that aren't on extension.

continued on page 4

continued from page 3

August 2018

15 Minimum funding requirements for defined benefit, money purchase, and target benefit pension plan years ended November 30, 2017, must be met by August 15 to avoid excise taxes. An electronic transfer must be completed or a check mailed by this date.

15 Retirement plan employer contributions are due to be deducted on employer tax returns due to be filed August 15, 2018.

15 Form 5500 Series/8955-SSA – Forms that are on extension are due for the plan year ending October 31, 2017.

31 Form 5500 Series/8955-SSA – Forms are due for the plan year ending January 31, 2018, that aren't on extension.

September 2018

15 Minimum funding requirements for defined benefit, money purchase, and target benefit pension plan years ended December 31, 2017, must be met by September 15 to avoid excise taxes. An electronic transfer must be completed or a check mailed by this date.

17 Retirement plan employer contributions are due to be deducted on employer tax returns due to be filed September 17, 2018.

17 Form 5500 Series/8955-SSA – Forms that are on extension are due for the plan year ending November 30, 2017.

30 Deadline for December 31, 2017, plan year end defined benefit pension plans to prepare the funding adequacy related Adjusted Funding Target Attainment Percentage (AFTAP) calculation to avoid a presumed 10% funding adjustment.

TPA Solutions Sales Desk | 866-929-2525

tpasolutionssales@ascensus.com

tpa.ascensus.com