Plan Sponsors Ask…

Q: When the fee disclosure rules were announced a few years ago, part of the discussion was an increase in spending by the IRS to make sure plans were complying. Is the IRS still focusing on employer sponsored retirement plans?

A: The IRS Employee Plans division (EP) recently announced where they will be concentrating their resources in the employer plans area for fiscal year 2018. The goal is to make sure plan sponsors achieve compliance for their plans, and of course, the participants. Among their compliance efforts they will look closely at plans of companies that are merging or being acquired; plans that have failed to comply with ADP and ACP tests or that didn't supply required notices to participants; plans that don't meet age and/or service requirements; forfeiture allocations; and plans that fail to withhold correct elective deferral amounts. The IRS FY 2018 Work Plan also specifies some situations in which EP will use compliance checks to determine if a plan is adhering to certain requirements. Those situations are: plans with partial terminations, plans with non-participant loans, 403(b) plans, 457(b) plans that have excess deferrals, SEP plans with RMD failures, and SIMPLE IRA plans sponsored by more than 100 employees. You can read more here: http://tinyurl.com/2018-IRS.

Q: From time to time an employee tells us they didn't know there were fees involved with the 401(k) plan. We are complying with the requirements to disclose the fees being paid, so it is surprising to us that some participants still don't know. Are we the only ones whose participants are not getting the message?

A: Unfortunately, your experience is not unusual. The National Association of Retirement Plan Participants, or NARPP, says that 58% of working Americans don't know they are paying fees on their workplace retirement savings accounts. That amounts to a staggering $35 billion dollars in fees every year, or $835 per investor. Even those participants who know they are paying fees are often unclear about how fees are calculated, with just 26% able to accurately explain. It's important to make sure the information provided to participants is clear, accurate and complete, because there is a strong link between fee transparency and trust from participants. NARPP found that 81% of participants would appreciate a standardized fee label on all retirement funds, similar to a food nutrition label. Visit www.narpp.org for more information on this and related research from NARPP.

Q: We'd like to bolster our 401(k) plan participation and contribution numbers. What are some of the reasons people don't participate or don't contribute enough?

A: That has been the subject of recent research by the Pew Charitable Trusts. They looked at employer and employee perspectives on saving, and made some interesting findings. For example, 2/3 of employees at small to midsized companies have access to a retirement plan at work, and 68% participate. That translates to 45% of workers at small to midsized businesses participating in a 401(k) or similar plan — and 55% not participating. The research found it much more likely for employees with a household income over $100,000 to participate than for lower income workers. They may find it easier to save, and are more likely to need the tax breaks associated with saving in a qualified plan. Even though auto features tend to increase participation and contribution levels, a significant percentage of plans at small to midsized companies don't use them. The concern is often that employees won't like it — a perception that has been refuted by other research. Take a look at the Pew website for more information: www.pewtrusts.org. ■

Pension Plan Limitations for 2018

401(k) Maximum Elective Deferral (*$24,500 for those age 50 or older, if plan permits)	$18,500*
Defined Contribution Maximum Annual Addition	$55,000
Highly Compensated Employee Threshold	$120,000
Annual Compensation Limit	$275,000

Tackle Financial Stress with Education

How serious is the problem of financial stress? Seventy-seven percent of Americans live paycheck to paycheck,[1] 41% give themselves a C, D or F in personal finance,[2] and 28% don't pay their bills on time,[2] according to citations in a recent white paper from Financial Fitness Group. The situation has a serious impact today, and perhaps a worse one tomorrow, considering estimates that about 1/3 of working Americans have no retirement savings. The cost to employers of employee financial stress, according to one source cited in the paper, may be $15,000 per employee per year.[3]

But there is good news: employers are in the best position to make an impact on the numbers. Combining financial literacy education as a regular part of 401(k) plan communication can lead to changes in behavior. In turn, these changes may lead to better financial stability for employees during, and after, their working years.

If you plan to offer employees a program of financial education, be sure the one you choose is engaging and interactive. The information should be easily accessible and flexible, too. Both can be achieved through web-based tools the employee can use whenever and wherever individual circumstances allow.

Get more information about tackling employee financial stress here: http://tinyurl.com/FFGroup-financial-stress. ■

1 *77 Percent of All Americans Live Paycheck to Paycheck at Least Part of the Time*, Michael Snyder, August 17, 2012. http://thetruthwins.com/archives/77-percent-of-all-americans-live-paycheck-to-paycheck-at-least-part-of-the-time

2 The 2011 Consumer Financial Literacy Survey," prepared for the National Foundation for Credit Counseling and prepared by Harris Interactive Inc., Public Relations Research, March 2011.

3 *Employee Financial Stress Is Costing Your Company a Bundle — And How You Can Stop It Now!* http://isles.org/sites/default/files/Employee%20Financial%20Stress%20is%20Costing%20Your%20Company%20a%20Bundle.pdf

PLAN SPONSOR'S QUARTERLY CALENDAR

APRIL

- If a plan audit is required in connection with the Form 5500, make arrangements with an independent accountant/auditor for the audit to be completed before the Form 5500 due date (calendar-year plans).
- Audit first quarter payroll and plan deposit dates to ensure compliance with the Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between January 1 and March 31 received and returned an enrollment form. Follow up for forms that were not returned.

MAY

- Monitor the status of the completion of Form 5500, and, if required, a plan audit (calendar-year plans).
- Issue a reminder memo or e-mail to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans by which they are covered.
- Perform a thorough annual review of the Plan's Summary Plan Description (SPD) and other enrollment and plan materials to verify that all information is accurate and current, and identify cases in which revisions are necessary.

JUNE

- Begin planning an internal audit of participant loans granted during the first six months of the year. Check for delinquent payments and verify that repayment terms and amounts borrowed do not violate legal limits.
- Confirm that Form 5500, and plan audit if required, will be completed prior to the filing deadline or that an extension of time to file will be necessary (calendar-year plans)
- Review plan operations to determine if any qualification failures or operational violations occurred during the first half of the calendar year. If a failure or violation is found, consider using an Internal Revenue Service or Department of Labor self-correction program to resolve it.

Consult your plan's financial, legal or tax advisor regarding these and other items that may apply to your plan.

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