



The EJReynolds 403(b) Fix-it Guide

Ensuring your plan not only runs smoothly but remains in compliance

The day-to-day operation of your retirement plan is a big responsibility. Errors may occur, and when they do, they must be recognized and corrected as quickly as possible. Having an independent consultant in place to look out for your participants and ensure that the plan remains in compliance with all applicable laws and statutory deadlines is imperative.

The right TPA should have **Expert Knowledge, Dedicated Service, Great Solutions** and lead to growth for you and your participants.

From The IRS 403(b) Plan Fix-It Guide:

| | Potential Mistake | How to Find the Mistake | How to Fix the Mistake Corrective Action | Correction Program | How to Avoid the Mistake |
|---|--|---|--|-------------------------|---|
| 1 | Is your organization eligible to sponsor a 403(b) plan? | Determine if your organization fits one of the eligible employer groups – a public education institution or an IRC Section 501 (c) (3) charitable organization. | Stop all contributions. Make a submission under the Voluntary Correction Program. | VCP Audit CAP | Understand what makes an organization eligible to sponsor a 403(b) plan and know if your organization meets one of the requirements. |
| 2 | Convey any changes made to your written plan or to the operation of your 403(b) plan to your plan service providers. | Check your records to see if your organization adopted a written plan intended to satisfy the final 403(b) regulations by December 31, 2009. | Put the plan's operations into a written plan that complies with the final 403(b) regulations and adopt it. Make a submission under the Voluntary Correction Program. | VCP Audit CAP | Make sure that everyone in the organization understands that a 403(b) plan is subject to a written plan requirement. |
| 3 | Have the terms of the written 403(b) plan document been properly followed? | Compare your written plan to its operation. | You may retroactively adopt plan amendments that conforms the 403(b) plan to its prior operation. Alternatively, you may retroactively correct plan operation to conform to the terms of the 403(b) written plan. | SCP VCP Audit CAP | Convey any changes made to your written plan or to the operation of your 403(b) plan to your plan service providers. |
| 4 | Were all employees of your organization given the opportunity to make a salary deferral? | Perform a review of the plan and its operation. Review employees who received a W-2 but didn't participate. Determine if you excluded any class of employees such as janitors, cafeteria workers, bus drivers or union employees. | Provide improperly excluded employees the opportunity to participate in the plan in current and future years. Make a corrective contribution to the plan for the employees that compensates for their missed deferral opportunity. | SCP VCP Audit CAP | Understand which employees you may exclude from the 403(b) plan. Provide proper notification to employees of their eligibility to participate in the 403(b) plan at least yearly. |

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|----|--|--|---|-------------------------|--|
| 5 | Does the plan limit the total employer and employee contributions so as not to exceed the IRC Section 415(c) limits? | Determine types of contributions allowed in the plan and total employee and employer contributions per participant. Compare with the current year's dollar limit. | Transfer excess to a separate 403(c) account or distribute to participant. | SCP VCP Audit CAP | Understand that it's the employer's responsibility to limit contributions and issue correct W-2's. With vendors, establish procedures to limit contributions. Educate employees. Conduct year-end review of employer and employee contributions and compare with current legal limits. |
| 6 | If the plan offers "15-years of service catch-up" contributions, do all employees making these contributions have the required 15 years of full-time service with the same employer? | Review plan document sections on eligibility and participation. Check with plan administrators to find out when employees are entering the plan. | Refund excess deferrals plus earnings. Report corrections on Form 1099-R. | VCP Audit CAP | Verify employees are eligible for the catch-up by ensuring that they have 15-years of service with the 403(b) plan sponsor, have unused amounts available for catch-up and have not exceeded the 15,000 lifetime limit. Before allowing participants to make 15-years of service catch-up contributions, ensure that the written program contains the proper language. |
| 7 | Are Elective Deferrals limited to the amounts under IRC Section 402(g) for the calendar year? | Track deferrals for each employee. Conduct a year-end review of deferrals for each participant and compare to 402(g) limits for that year. If over the basic 402(g) limit, determine if the excess is based on a properly administered 15-years of service or on an age 50 catch-up program. | Refund excess deferrals plus earnings. Report corrections on Form 1099-R. | SCP VCP Audit CAP | Understand that it's the employer's responsibility to limit deferrals and issue correct W-2's. With vendors, establish procedures to limit deferrals. Educate employees. Conduct year-end review of deferrals and refund any excesses prior to April 15. |
| 8 | If the plan offers a 5-year post severance provision, are elective deferrals permitted under the provision? | Understand how this feature works and seek the help of a retirement plan professional, if needed. | Distribute excess 415(c) contributions. Report corrections on Form 1099-R. | SCP VCP Audit CAP | Consider using the services of a retirement plan professional. Know how the feature works and keep good records. |
| 9 | Do participant loans conform to the requirements of the plan document and IRC Section 72(p)? | Review the plan and all outstanding loans to ensure that the loans comply with the plan's terms and the employees are repaying their loans timely. | You may correct some failures by corrective repayment and/or modification of loan terms, if you make a submission under the Voluntary Correction Program. | VCP Audit CAP | Review and follow the plan provisions relating to making loans, including the amount of the loan, terms of the loan and repayment terms. Make sure that there are loan procedures in place. |
| 10 | Were hardship distributions made properly? | Review all in-service distributions and determine that hardship distributions met the plan requirements. | Amend your plan retroactively to allow for hardship distributions. | SCP VCP Audit CAP | Be familiar with your plan's hardship provisions. Implement procedures to ensure that you follow the provisions in operation. Ensure that your plan administrators and payroll offices share the plan's hardship distribution information. |



WHERE IS YOUR COMFORT PLACE?
EJR CAN HELP YOU GET THERE.

9050 Pines Blvd., Suite 202, Pembroke Pines, FL 33024

Office: 954.431.1774 Fax: 954.438.7250

www.ejreynoldsinc.com