

# Ten Critical Plan Mistakes.....Fix Them Now With A Primark Operational Review

Amid the many changes affecting qualified retirement plans, like new options and extended deadlines created by the CARES Act, take time now to review your clients' plans to avoid mistakes of all kinds. Let us provide an operational review for you on the plans you manage.

## Top 10 Plan Mistakes

Here are the mistakes plan providers make most often (according to the IRS), along with suggestions to avoid them or correct them. Waiting for an audit to catch an error is not a good strategy—for you or your clients.

### 1. Failure to update the plan document

- The due date for PPA Restatement of defined benefit and cash balance plans is July 31, 2020.

### 2. Failure to follow plan provisions

- Although it may be legal to do "X", make sure the plan document allows it.
- If you need to amend the plan document to allow "X", make sure the amendment is timely and signed.

### 3. Using an incorrect definition of compensation

- Best Practice: use total compensation for everything. Every alternate definition leads to trouble.

### 4. Incorrect allocation of employer match

- Are you clear about the formula?
- What are the accrual requirements (last day employment, 1000 hours of service, etc.)?
- Best Practice: Keep It Simple.

### 5. Failure to correct the ADP/ACP non-discrimination test

- Corrective distributions after 2 ½ months normally incur a 10% excise tax.

### 6. Failure to include all eligible employees

- Include plan notification with new employee onboarding, even if eligibility is not immediate.
- Collect Summary Plan Description (SPD) Acknowledgments.
- Collect zero deferral elections and waivers.
- Keep a list of who attends enrollment meetings.

### 7. Failure to limit elective deferrals to the annual deferral limit

- Your payroll service should be able to help. If they cannot, choose another provider.
- New employees may have deferred at their previous jobs. Make sure the annual limit is observed.

### 8. Late deposits for elective deferrals and loan payments

- Make a habit of depositing deferrals on the same day as payroll.
- Don't delay your deposits, and don't group all payrolls for the month.

Check out "Low Cost Ways To Improve 401(k) Participation" for additional ways to encourage employees to open 401(k) plans.

## Contact:

### Current Clients

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webinfo@primarkbenefits.com

### New Accounts

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retirewell@primarkbenefits.com

## Why Primark Benefits

- ◆ **EXPERIENCE:** We've been in business since 1971
- ◆ **EXPERTISE:** Our credentialed staff are experts and leaders in the field
- ◆ **ACCURACY:** We have rigorous quality control and a compliance dept
- ◆ **ATTENTION:** Your satisfaction is our priority

Also speak with us about how we can coordinate *all* your employee benefits and services including: retirement, health insurance, flex plans, COBRA, and even payroll processing!

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### 9. Failure to administer participant loans properly

- Make sure you really want to be in the loan administration business.
- Be sure to devote enough resources to monitor and manage loans. Not doing this can lead to errors.

### 10. Incorrect administration of hardship distributions

- Follow through with collection of backup documentation.

Remember: If you find mistakes, the IRS has provided approved methods of correcting these mistakes. Contact us for a Plan Operational Review, particularly if you think one or more of these applies to a plan you oversee. We can help you avoid these mistakes or fix them.

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