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# PLAN SPONSOR RETIREMENT PLAN UPDATE

Quarter 2, 2014

## Top 10 Issues on the Horizon

### Did you know?

Our president, Jan Davis, recently graduated from the Goldman Sachs 10,000 Small Businesses Program.

Goldman Sachs is always looking for more people to join their program, so let Jan know if you have any interest or questions about the program!



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There's one constant in retirement plans—and that is the constant changes to the law, limits and regulations. Here's a look at what's on the horizon.

1. The proposed budget includes a plan that would prohibit individuals from making additional contributions when their account balances exceed a certain threshold. The limit is based on the amount needed to fund an annuity of \$205,000 per year in retirement, which currently works out to be an account balance of \$3.4 million. This amount, according to Obama, is more than enough to retire comfortably. It also would save the government an estimated \$9 billion over a decade. Some would consider this punishing those that have responsibly saved and maintained retirement plans for themselves and their employees.
2. Another proposal relates to Required Minimum Distributions (RMDs). This proposal would require RMDs for Roth IRAs (they are currently exempt) and eliminate RMDs for accounts under \$100,000.



3. The IRS is working on a project called Learn/Educate/Self-Correct/Enforce (LESE) that will help plan sponsors self-correct some of the most common plan issues. The IRS has found that plans are having more problems with unidentified defaulted loans, late corrective distributions and Roth contributions. This program will help plan sponsors fix these and other issues.

4. "Now, it's not a question of if you will get audited, but when," said

Lisa Barton, a partner with Morgan, Lewis & Bockius. Barton was speaking of Department of Labor (DOL) audits and how the DOL has increased full-scope audits of retirement plans. The DOL is mainly concerned with timely deposits of employee deferrals and with reasonable fees being charged to the plan. Make sure to document your decisions regarding fund selection and review fees of service providers regularly.

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## Top 10 Issues on the Horizon continued...

5. The IRS has developed a more systematic approach in order to more effectively identify compliance risks in retirement plans. Using pre-audit analyses and evaluations of controls, the IRS will be using the results of these new methods to determine which plans will receive an audit. The IRS indicated that having good internal controls may result in a limited scope audit instead of a full audit.
6. The IRS has developed a new enforcement tool. It is a six to ten question survey about the plan and the controls in place. Please consult with us if you get this questionnaire and make sure you don't ignore it. Don't answer and your plan will surely be on the audit list.
7. The DOL is also preparing to issue more guidance on plan sponsor fee disclosure. They are discussing requiring all service providers to offer a guide with information on where to find fees and how to calculate the fees the plan is being charged. The DOL is currently accepting comments on their proposal.
8. The IRS is working on a pilot program and will allow small retirement plans (those with an owner-spouse only arrangement or eligible partnership) that may have been unaware of their Form 5500 filing obligations to avoid penalties relating to not filing the required documents.
9. There is a current proposal that would require more information on participant benefit statements. The statements would be required to show an estimate of what the participants account balance would be able to provide if an annuity was purchased for them at retirement. The calculation would need to show what the current balance could buy as well as what a projected balance would be able to purchase based on the assumption that the contributions would continue in future years.
10. A helpful proposal would require all businesses at least two years old with more than ten employees to auto-enroll employees into an IRA if there is no existing workplace retirement plan. Further incentives would be offered to employers offering a workplace retirement plan.

## “Save My 401(k)” program calls for your help

If some of the proposals above have you concerned about your 401(k), visit [savemy401k.com](http://savemy401k.com) to learn more about the budget proposals, how 401(k) plans are the best way to save for retirement and how the budget system counts tax savings from retirement plans as a tax deduction instead of a tax deferral. There are infographics, videos, games and you can take just 20 seconds to e-mail Congress and let them know you want to keep your 401(k) plan.



# Top 10 Retirement Plan Statistics

Retirement Plan Limit	Dollar Amount
Average Account Balance	\$89,300
Average workers who cash out their 401(k) when they leave	35%
401(k) Plans that provide a matching contribution	68%
401(k) Plans that require one year of service to enter the plan	54%
401(k) Plans that require attainment of age 21 to enter the plan	64%
401(k) Plans that are safe harbor plans	43%
401(k) Plans that include automatic contribution arrangements	5%
401(k) plans that allow participant loans	65%
401(k) plans that permit in-service withdrawals	62%
401(k) plans that are top heavy	20%

Information provided by CNNMoney article 2/13/14 and the IRS Compliance Check Questionnaire



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**Retirement Plan Administration  
and Consulting**

**Noble-Davis Consulting, Inc.  
30275 Bainbridge Road, Building B  
Solon, OH 44139**

**Phone: (440) 498-8408**

**Fax: (440) 498-9566**

**Toll-Free: (888) 657-0702**

**Participant Call In: (866) 811-6604**

**Mail To:**

## Mark Your Calendar

Stay on top of your retirement plan's mandatory deadlines! Here are some important dates in the upcoming months. (Please note that filing dates are for calendar year plans. Non-calendar year plans must adjust these dates.)

**Each Payroll:** Remit deferral and loan repayments within 7 business days (small plans) or as soon as possible (large plans).

**July 31:** Annual Form 5500 report and schedules due to be filed electronically with DOL (without extension).

**July 31:** Form 5330 and ex-

cise tax due on prohibited transactions (i.e.: late 401(k) deposits).

**August 14:** Second Quarter PPA Statements due for participant directed plans.

**September 15:** Extended deadline for filing of corporate tax returns and contribution deadline for deductibility.

**September 30:** Summary Annual Report due to participants (if Form 5500 not extended).



**October 15:** Extended deadline for filing Plan's annual Form 5500 filing.

**November 14:** Third quarter PPA Statements due for participant directed plans. Quarterly fee disclosure documentation also due to plan participants.

**December 2:** Last date to send out annual notices for safe harbor, QDIA and automatic enrollment plans.

**December 15:** Summary Annual Report due for plans that extended the Form 5500.

**December 31:** Required Minimum Distributions must be paid to those affected participants over age 70 1/2