

## Plan Administrator Guide

Provided by



# WELLSTHOMAS

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As an Employer sponsoring a qualified retirement plan under the Employee Retirement Income Security Act (ERISA), you must perform certain duties to ensure the proper operation of the plan. Failure to do so may result in plan disqualification and/or substantial penalties imposed by the Internal Revenue Service (IRS) and/or the Department of Labor (DOL).

Wells Thomas, LLC has prepared this guide to assist you in complying with the regulations pertaining to plan administration, however this guide is not intended as providing legal or actuarial advice.

Wells Thomas, LLC is not the Plan Administrator or Trustee of your plan. We are hired as a Third Party Administrator (TPA) and do not have discretionary authority or control over the plan. In addition, Wells Thomas, LLC is not a fiduciary on the plan. Additional information may be found in our Service Agreement.

## Overview

Sponsoring a retirement plan for your organization is an important part of your total employee benefit package that helps provide retirement savings for your employees. It does, however, come with responsibilities that you need to be aware of. This package was put together to help guide you through the myriad of rules and regulations that govern these plans.

You have hired Wells Thomas, LLC to help ensure that your plan remains in compliance with all IRS and DOL regulations. It is important for us to work together in that regard. While we are not a Fiduciary to your plan, we play an important role in giving you the tools you need to complete your Fiduciary duties.

## Who is a Fiduciary?

**A Fiduciary is any person or entity that:**

- Exercises discretionary authority or control over management of the plan
- Exercises control over the disposition of plan assets
- Provides investment advice for a fee
- Has discretionary authority or responsibility in the administration of the plan

**A Fiduciary may be:**

- Employer/Plan Sponsor
- Plan Administrator
- Named Trustees of the plan
- Financial Advisor
- Other named Co-Fiduciaries in the plan document and/or contract agreements

The primary Fiduciary requirements are to perform duties solely in the interest of the plan participants and their beneficiaries, and to carry out all duties with care, skill, prudence and diligence that a prudent person would use.

\*\*Please note, Wells Thomas, LLC is not a Fiduciary to your plan. We are a hired service advisor.

## ERISA Fiduciary Rules

As a plan fiduciary, it is essential that you are aware of your responsibilities and duties under ERISA, and that you operate the plan accordingly. These rules are intended to protect the interests of the participants of the plan, and their beneficiaries.

**Plan Sponsors and other Fiduciaries are required to:**

- Be aware of and understand the terms of their plan
- Select and monitor service providers
- Make timely contributions to the plan
- Provide timely disclosures to plan participants and/or their beneficiaries
- File annual tax returns
- Avoid any prohibited transactions

**Regarding investment policies and procedures, the Fiduciary must:**

- Evaluate plan investment needs based upon the demographics of the workforce
- Create and maintain an Investment Policy Statement (IPS)
- Compare and select investments and investment providers for the benefit of plan participants and their beneficiaries
- Monitor investments and investment providers
- Document periodic investment reviews

**Regarding fees and expenses, the Fiduciary must:**

- Ensure that all fees and/or expenses paid by the plan are reasonable in light of the quality and quantity of services provided
- Ensure all fees charges to participants are disclosed

**Regarding participant communication and education, the Fiduciary must:**

- Furnish a Summary Plan Description (SPD) to all eligible plan participants
- Provide a description of the plan's investment alternatives and required notices
- Educate plan participants on investment objectives and risk/return characteristics
- Provide an explanation of any fees paid by plan participants
- Ensure that enrollment materials with current plan specific information are give to eligible participants
- For 404(c) protection, notice of intent to comply must be provided to plan participants

**Some of the requirements for sponsoring a qualified plan are:**

- Maintain proper plan documents
- Determine to is eligible to participate
- Allocate contributions in accordance with the plan document
- Apply current IRS plan limits and compute tax deductible contributions
- Apply annual non-discrimination tests
- Complete and file all required government tax forms
- File with the IRS and retain copies of all 1099Rs, 1096s & 945 deposits
- Provide proper disclosures to all active plan participants and/or beneficiaries
- Obtain an independent auditor's report if required
- Identify "parties in interest" and monitor transactions with them
- Obtain and maintain adequate fidelity bond coverage

Many of these tasks can be administratively handled by another staff member or third party, but the ultimate responsibility lies with the Plan Sponsor.

## Roles and Responsibilities

	Wells Thomas	Financial Advisor	Invest. Platform	Plan Sponsor
<b>Plan Setup</b>				
Plan design	√			
Prepare plan documents, plan amendments	√			
Prepare Summary Plan Description	√			
Complete plan provision checklist for daily valuation provider	√			
Review and select participant services		√		
Coordinate with payroll service				√
Select plan appropriate investment options		√		
<b>Enrollment &amp; Education</b>				
Design participant education plan		√	√	
Prepare educational material about retirement planning and financial decisions		√	√	
Conduct enrollment meetings		√	√	
Offer ongoing post-enrollment meetings		√	√	
<b>Recordkeeping</b>				
Submit timely contribution electronically				√
Provide daily valuation of accounts			√	
Grant access to retirement accounts via internet or phone			√	
Offer asset allocation tools			√	
Create and distribute participant statements			√	
Develop plan sponsor statements			√	
<b>Compliance &amp; Reporting</b>				
Provide year-end census data to TPA				√
Obtain annual asset information from daily valuation provider	√			
Conduct non-discrimination testing	√			
Prepare allocations of employer contributions	√			
Complete Form 5500 series annual reports	√			
Prepare and filed Form 8955-SSA	√			
E-file Form 5500 series annual reports				√
<b>Distributions &amp; Loans</b>				
Calculate participant vested percentage	√			
Prepare/provide proper forms to participant	√		√	
Recordkeep participant loans			√	
Monitor and calculate Required Minimum Distributions	√		√	
Coordinate income tax withholding			√	
Prepare 1099-R			√	
Issue checks			√	

# Operational Guide

## Daily administrative duties

Throughout the year, there are certain plan functions that must be completed. The most important ones are providing newly eligible participants enrollment materials prior to their plan entry date, processing changes to election rates as requested, and making sure payroll deductions are deposited to participants accounts as soon as administratively feasible.

1. Providing enrollment materials to newly eligible participants
2. Keeping complete and accurate records for plan participants
3. Ensuring timely deposit of employee and employer contributions
4. Providing required notices to plan participants on an annual basis
5. Authorizing plan activity (i.e. adjustments, loans, disbursements, etc.)

### 1. Providing enrollment materials to newly eligible participants

Each year with our annual valuation report, Wells Thomas, LLC provides a list of projected entry dates for all employees. We obtain that data from our annual census report that you furnish to us. That is why it is critical that the data we receive is complete and accurate.

You should use that listing, combined with your payroll records, to keep track of which employees should be offered participation. Approximately 30 days prior to each participant's entry date, employees must be provided with a current SPD, a Safe Harbor Notice (if applicable), all relevant participant notices, enrollment form and a beneficiary designation form. If you ever need additional copies of the applicable materials feel free to contact our office.

You should ensure that each participant completes enrollment and beneficiary forms, even if he/she does not wish to defer. Copies of the completed and signed forms should be kept in the employee's personnel file. Provided the completed enrollment form is returned prior to the eligibility date, the deferral amount should be communicated to your payroll company to begin withholding as of the first payroll after the eligibility date.

Failure to withhold timely after an enrollment form is completed is a plan violation. Please contact us immediately if this situation occurs, and we will inform you as to how this must be corrected in line with DOL/IRS regulations.

Investment elections should also be made, either on paper forms or electronically, through your recordkeeper. It is important to have a Qualified Diversified Investment Option set up for your plan. This "QDIA" is a pre-determined fund that can be an investment option for a participant who fails to make his/her own election. Having a QDIA may help relieve Plan Fiduciaries from responsibility for investment performance for a particular account.

## **2. Keeping complete and accurate records for plan participants**

The plan enrollment materials are important forms that should be kept in the participant's employee file. These forms are used to both authorize you as plan administrator to withhold a part of the employees pay and deposit it into the plan, as well as document that you provided the option to join the plan on a timely basis in the event of audit.

Each participant should have a completed Beneficiary Designation Form on file. You should remind participants that their beneficiary forms should be updated in the event of a change in life status, such as the birth of a child, marriage or divorce. The completed form becomes invalid in the event of a change in marital status, even if the intent is to keep the same beneficiary, so a new form must be completed.

Additionally, the forms should be reviewed as of the first day of the year when each participant attains age 35. A new form must be completed at that time if a spouse has waived their right to benefits.

## **3. Ensuring timely deposit of employee and employer contributions**

The DOL/IRS mandate different deposit guidelines depending on the source of plan contributions.

**Employee Deferral (pre-tax 401(k)/Roth)** - Employee deferrals must be segregated from the account of the employer into a plan account as soon as administratively feasible, but in no event later than 7 business days from the date of the payroll check from which it was withheld. For plans with over 100 live, deposit timing is the same as the requirements making payroll taxes.

Failure to make a timely deposit of employee contributions results in interest due to the participant and an excise tax payable to the IRS.

**Loan Repayments** - Since loan repayments are withheld from participant compensation, the guidelines for "Employee Deferral" timing above apply.

**Employer Contributions** - In order to be deductible on a specific year's tax return, the deposit of most employer contributions must be made no later than the tax filing deadline for that year. If the deposit is made later, it may be deductible on the next year's return, provided the applicable limits are not exceeded.

**Safe Harbor Contributions** - In order to meet the exemptions from compliance testing a Safe Harbor plan affords, Safe Harbor contributions must be deposited no later than the end of the plan year following the plan year for when they were due. For example, Safe Harbor deposits for the 2020 plan year must be deposited no later than the last day of the 2021 plan year.

If your plan document indicates that Safe Harbor match is calculated on a per pay period basis, then the match must be deposited by the end of the quarter following the quarter to which it is attributable.



#### **4. Providing required notices to plan participants on an annual basis**

Certain Plan Notices are required to be distributed to plan participants on an annual basis. Wells Thomas will provide you with copies of the notices approximately 45 days prior to your plan year end. It is your responsibility to distribute the notices to affected participants.

The notices may include some or all of the following:

**Safe Harbor Notice** - If your plan is a 401(k) plan with a Safe Harbor Match, a Safe Harbor Notice must be provided to all eligible participants at least 30 days (and no more than 90 days) prior to the start of the plan year. Failure to do so will remove the exemption from non-discrimination testing and top heavy regulations, however the matching contribution would still be required. To remove a Safe Harbor provision for a plan, the plan document must be amended prior to the beginning of the plan year.

401(k) plans using the Safe Harbor Non-Elective provision permit more flexibility with regard to notices, and we will address this with you as it pertains to your plan.

**QDIA Notice** - This notice is required to be given to all employees who have not made an election for the investment of their accounts. It informs them that their money is invested in a Qualified Default Investment Arrangement under the plan, and gives them important information about that fund.

**Fee Disclosure Notice(s)** - Participants are required to be informed of the fees they are paying through their participation in the plan. Fees may include investment fund fees, advisory fees, administrative and transactional fees, etc.

**Plan Statement with Vesting** - Participants are required to receive an annual notice of their account balance, plus information regarding their vesting under the plan. Plans that are on a daily valuation platform will automatically have these statements provided to their employees. Plans that utilize a brokerage account or other "pooled" funding vehicle will receive annual statements from Wells Thomas that should be distributed upon receipt.

**Summary Annual Report (SAR)** - Each year you will receive a copy of your Summary Annual Report. This report outlines information about the plan as reported on your Form 5500. The 5500 is a public form and dissemination of the report is required annually to plan participants. Wells Thomas will provide you with this form as part of our annual valuation package.

**Automatic Enrollment** - If your plan has an automatic enrollment provision, notice must be provided to all eligible participants at least 30 days (and no more than 90 days) prior to the start of each plan year, and to newly effected participants 30 days prior to the date funds will be withheld from pay.

#### **5. Authorizing plan activity (i.e. loans, distributions, etc.)**

Your plan document dictates why, when and how a participant may receive a distribution from the plan.

**Termination of Employment** – A participant requesting a distribution of his/her benefit due to termination of employment must receive proper distribution forms, as well as a Special Tax

Notice, which provides important information about the taxation of benefits. Completed forms must be authorized by the Plan Sponsor via the method required by your investment provider.

**Hardship Withdrawals** – A participant requesting a hardship withdrawal must complete proper distribution forms, and provide supporting document to validate the hardship request. The Plan Sponsor must ensure the documentation meets the hardship requirements, and authorize payment via the method required by you investment provider. Wells Thomas will assist you in ensuring that hardship requirements are met.

**Participant Loans** – If your permits loans, a participant requesting a loan from his/her account must complete the proper forms, including a Promissory Note. The participant must also receive an amortization schedule reflecting the payments to be made back to the plan. The Plan Sponsor will then authorize the loan via the method required by your investment provider, and also communicate with your payroll company the required payments to be made payroll deduction.

### **Filing Requirement for Distribution of Benefits**

**Form 1099-R** – This form must be provided to any participant receiving a distribution for the plan (including direct rollovers), to be received by the participant no later than January 31<sup>st</sup> following the calendar year of distribution.

**Form 1096** – This form is only completed and filed when the Form 1099-R is not filed electronically. It included copies of all 1099-Rs issued for the year, and must be filed with the IRS no later than February 28<sup>th</sup> following the calendar year of distribution.

**Form 945** – This form reports Federal Income Tax withholding paid by the participant (or beneficiary) at the time of distribution.

### **Annual Administration and Year End Reporting**

#### **Providing annual census data to TPA upon plan year end**

In order to compile the year-end valuation, testing and reporting, Wells Thomas, LLC will send to you a data collection package with a list of information needed to perform these services. It is the Plan Sponsor's responsibility to provide all requested information in a timely fashion.

Shortly following each plan year, you will be asked to provide to us a census listing of your employees. We will provide a spreadsheet for your use in sending us specific census data for your company. However we will accept the information in any usable electronic format, without triggering additional costs (your payroll provider may have a standard report you may use).

Generally, we will need:

- SSN
- Name
- Dates of birth, hire, & termination as applicable
- Total compensation used for plan purposes, which is specified in your plan document

- Total employee deferrals withheld during the plan year
- Total hours worked during the plan year (including paid vacation and personal time)

There may be other items needed, depending on your specific plan's requirements. Please contact your Wells Thomas administrator if you are unsure.

Accurate census data is critical in ensuring that we administer your plan properly and provide you with accurate compliance testing. We will determine who is eligible for your plan, so please provide data for every employee on your payroll, whether or not they are currently eligible for the plan.

In addition to the census data, we require a signed "Supplemental Data Request" form to be completed annually. This form provides us with necessary company information so that we may confirm that our reporting on your plan is accurate and complete.

Changes in employee demographics and/or business structure or ownership may have a significant impact on your plan. Please inform us as early as possible if you are considering changes.

Finally, plan asset information not provided directly to Wells Thomas by the custodian of the assets must be furnished to our office on an annual basis.

## **Annual Reporting**

The census data we ask you to provide each year is used to identify eligible employees, calculate plan contributions, perform compliance testing, complete annual filings with the DOL and IRS, and to compile your year-end valuation package.

### **1. Identify Eligible Employees**

It is critically important that you, as plan sponsor, understand who the eligible employees are for your plan. As discussed earlier, you need to provide certain information to them annually (even if they do not contribute or have account balances). We rely on your census data each year to identify this group of employees and provide you with a listing of employees that will be eligible during the coming months/years.

### **2. Calculating Employer Contributions**

We also use this data to calculate any employer level non-elective or matching contribution that is either required or permitted for your plan as requested by you. We ensure that your contributions are allocated in accordance with your plan document, that they meet applicable non-discrimination testing requirements, and that deposits made align with contributions allocated.

### **3. Performing Compliance Testing**

Every qualified plan is required to be annually tested to ensure it conforms to all Internal Revenue Code requirements. This includes, but is not limited to:

- 401(k) ADP/ACP Testing

- 416 Top Heavy Testing
- 410(b) Coverage Testing
- 401(a)(4) Non-discrimination testing
- 402(g) testing on employee contributions
- 415 Annual additions testing on total contributions

The tests are performed annually, and your plan will be corrected as necessary to ensure compliance. Copies of these results are included in your annual valuation package.

#### **4. Completing Annual Plan Filings**

We prepare the annual 5500 series plan filings required by the DOL, as well as the 8955-SSA form if necessary other government filings that may need to be filed with the IRS. Once completed, we provide you with the information you need in order to file properly with the appropriate governmental agencies. If the forms are not filed by the appropriate deadlines, you may be subject to both DOL and IRS penalties.

In addition, if your plan is required to have an annual audit, we will work with your auditor to provide the information they may need from us in preparing the necessary auditor reports to be filed with the 5500 form.

You must file your 5500 with the DOL by the last day of the 7<sup>th</sup> month following the plan year end, unless you request an extension. If needed, we will prepare and file a form 5558 on your behalf which provides an additional 2 ½ months to complete the filing.

#### **5. Providing your Valuation Report**

Each year we send to you a year-end valuation report, which consists of a summary of all employee information, contribution data, compliance testing, account balances, reconciliations to trust reports, and copies of governmental filings. It is important to keep these documents for future reference in case of questions or audits that may be required.

You should review this report annually and contact your Wells Thomas administrator with any questions you may have regarding this report.

## Recurring Deadlines for Retirement Plans

Deadlines for 12/31 Year-End Plans	Action/Form Name	Form Number	When Due	Who Is Responsible	Delivered To
1/1	Annual actuarial valuation**		As soon as practical	Actuary	Plan Administrator
1/31	Distribution reporting	Form 1099-R	1/31 following year of payment	Payor	Participant/ Recipient
2/1 or 2/10	Annual return of withheld Federal Income Tax	Form 945	2/1 or 2/10 if taxes paid timely	Payor	IRS
2/28 or 3/31	Distribution reporting to IRS	Forms 1099-R/1096	2/28 (or 3/31 if filed electronically)	Payor	IRS
3/31	Funding ratio certification**		3/31	Actuary	Plan Administrator
4/15	First required quarterly contribution payment (when applicable)**		4/15	Plan Administrator	Custodian
4/30	PBGC premium and filing due**	PBGC Form 1	4/30 following end of plan year	Plan Administrator*	PBGC
7/15	Second required quarterly contribution payment (when applicable)**		7/15	Plan Administrator	Custodian
7/29	Summary of Material Modifications		210 <sup>th</sup> day after end of plan year when modifications were adopted	Plan Administrator*	Participants/ Beneficiaries
7/31	Annual report of plan (with Schedules)	Form 5500 Series	Last day of 7 <sup>th</sup> month beginning after end of plan year (or as extended)	Plan Sponsor*	DOL
7/31	Request for automatic extension – 5500 Series	Form 5558	Due date for Form 5500	Plan Sponsor*	IRS
9/30	Summary Annual Report		Last day of 9 <sup>th</sup> month beginning after end of plan year (or as extended)	Plan Administrator*	Participants/ Beneficiaries
9/30 (for 7/1 entry)	Summary Plan Description		Within 90 days of becoming a participant	Plan Administrator	New Participants
10/15	Extended deadline for filing Plan's annual report	Form 5500 Series	2 ½ months after original filing deadline	Plan Sponsor*	DOL
10/15	Third required quarterly contribution payment (when applicable)**		10/15	Plan Administrator	Custodian
12/15	Extended deadline for Summary Annual Report		2 months after the extended deadline for filing Form 5500	Plan Administrator*	Participants/ Custodians
12/31	Annual participant fee disclosure		Must be distributed once every 12 months	Employer/Custodian*	Participants
12/31	Required Minimum Distribution date (over age 70.5 or 72)		12/31	Employer/Trustee*	Participants over age 70.5 or 72 (depending upon date of birth)
1/15	Fourth required quarterly payment (when applicable)**		1/15 of the year following the end of the plan year	Plan Administrator	Custodian
9/15	Balance of annual contribution payment (when applicable)**		9/15 of the year following the end of the plan year	Plan Administrator	Custodian

\* Wells Thomas, LLC will assist in preparation of these forms/filings

\*\* Applies to DB plans only