FuturePlan
BENEFITS ADVANTAGE

For employers sponsoring retirement plans | FuturePlan.com | 2021, No. 3

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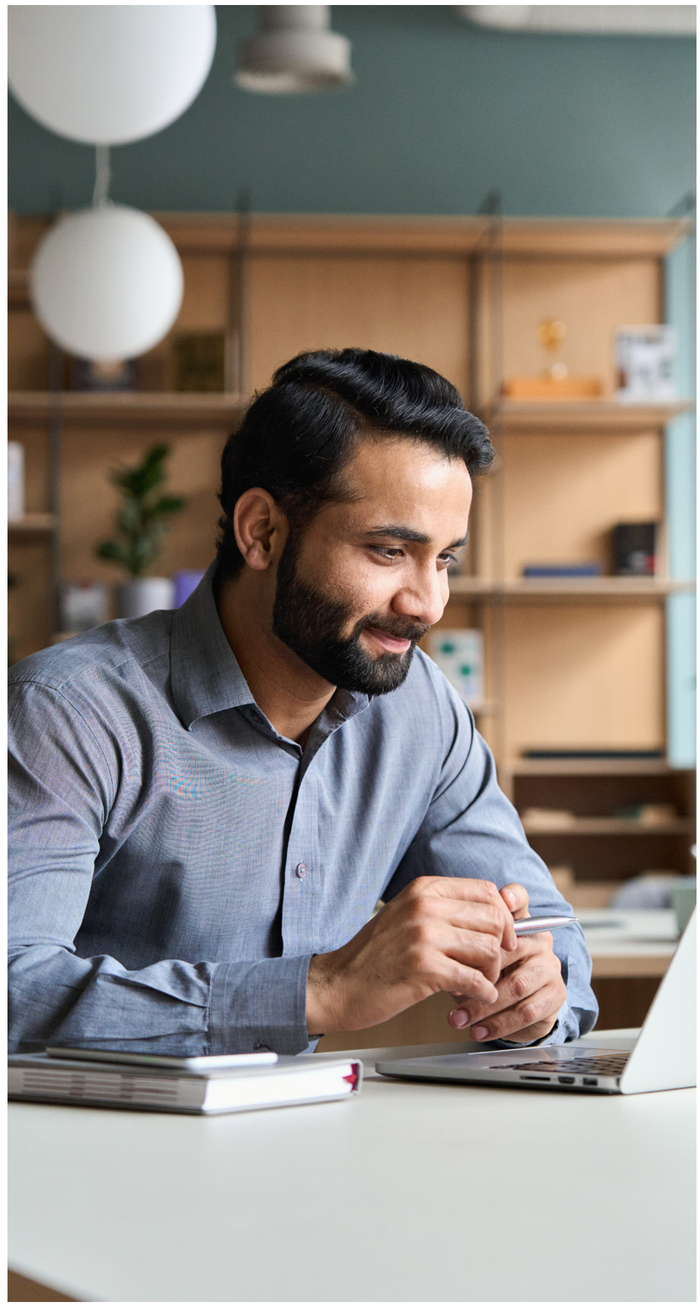

Use of Remote Notary and Witnesses Extended

The IRS has extended relief to employers who must have certain participant elections witnessed in the physical presence of a plan representative or notary public. Through June 30, 2022, employers may continue to use live audio-video technologies for remote notarization of spousal consent and certain forms of distribution from retirement plans if

- they meet other election requirements and
- this is consistent with state laws governing notarization.

For certain plan elections that must be witnessed by a plan representative, witnessing may be accomplished by live audio-video technology, but only if certain access, security, review, and confirmation conditions are met.

For additional information, please contact your FuturePlan Consultant or refer to Notice 2021-40 issued by the IRS on June 24, 2021.

Insights on Plan Participation

Maintaining employee participation in, and contributions to, a company retirement savings plan can be a challenge for employers. If you're wondering about your retirement plan's participation rate and possible ways to increase participation, consider these insights from Ascensus' Savings Trends Report with data as of plan year-end 2020. As a line of business within Ascensus, FuturePlan is glad to be able to share this information with you.

Retirement plan engagement by industry

Employers across a diverse range of industries have stepped up to the plate, offering a retirement plan to help their employees achieve a more financially secure future. Check the chart below for your industry to see how your plan's participation rate compares.

Removing roadblocks boosts participation

Automatic enrollment and automatic increase features make it as effortless as possible for employees to start contributing to their 401(k). Plans with automatic features have an average participation rate 13% higher than those without. Employer matching contributions offer additional motivation and an even more notable boost in plan participation when coupled with auto features.

69% average participation rate for plans without auto-enroll

82% average participation rate for plans with auto-enroll

82% average participation rate for plans with auto-enroll and auto-increase

83% average participation rate for plans with auto-enroll and auto-increase that fund a match

Your FuturePlan Consultant is available to discuss options for boosting your plan's participation rate.

Industry	Average Participation Rate	
Finance & Insurance	80%	Top four
Utilities	79%	Top four
Professional, Scientific, and Technical Services	77%	Top four
Public Administration	75%	Top four
Administrative and Support and Waste Management and Remediation Services	62%	Bottom four
Arts, Entertainment, and Recreation	62%	Bottom four
Transportation and Warehousing	62%	Bottom four
Accommodation and Food Services	39%	Bottom four

Across our platform, retirement plan participation is highest among employees in the finance and insurance industries. Employees in these industries are likely knowledgeable on financial wellness and tend to have higher average compensation relative to those in other industries.

The industries that have the lowest average plan participation as of the end of 2020 include those that were strongly impacted by business disruptions and closures due to the COVID-19 pandemic (for example, food and accommodation services). Our State of Savings report includes additional insights on how retirement plan engagement and employers' plan contributions were impacted by the pandemic. It's important for financial advisors to consult with clients that might fall into lower-engagement industries to discuss how incorporating auto features or other plan design elements might drive better outcomes.

Reminder: A Plan Sponsor's Responsibilities

Employers who sponsor retirement plans provide a valued benefit that helps ensure a secure future for their employees. Becoming a retirement plan sponsor includes taking on the responsibility for keeping the plan in compliance with applicable laws and regulations.

In general, this duty includes using accurate data to administer the plan, meeting filing and notification deadlines, reviewing plan documents to ensure that they're up-to-date (and being followed), and monitoring the plan's investments, fees, and design.

High-level summary of responsibilities

The following chart summarizes the roles and responsibilities of an employer that works with a financial advisor and a third-party administrator to maintain the plan. This short list doesn't spell out all potential responsibilities. Depending on your plan design, you might have additional duties. For more detailed information about an employer's responsibilities, please contact your FuturePlan Consultant or refer to your plan's service agreement. ■

Roles and Responsibilities	Employer	Financial Advisor	Third-Party Administrator
Provide census data for interim and year-end testing to the third-party administrator	x		
Process corrective distributions, allocations, and forfeitures, if applicable			x
Conduct compliance testing			x
Provide annual valuation reports to the employer			x
Prepare Form 5500 series with attachments and schedules for the employer to review, approve, sign, and file with the Department of Labor			x
Calculate vested benefits, plan distributions, and required minimum distributions upon request from the employer			x
Calculate loan amounts, provide loan amortization schedules, and process plan distributions upon request from the employer			x
Annual (at least) review of the plan design	x		x
Prepare plan document (if restatement is required), summary plan description (SPD), plan amendments, summary of material modifications (SMM), loan policy, and qualified domestic relations order (QDRO) policy, as applicable			x
Execute plan document and amendments	x		
Distribute required notices to the plan's participants; in some cases, the third-party administrator will distribute notices specified in the plan's service agreement	x		
Review investments and investment provider at least annually	x	x	
Maintain investment mix and investment policy	x	x	

When Employees Leave, but Plan Accounts Stay

Workforce fluctuations over the past couple of years have left some employers with low-balance plan accounts owned by former employees. These accounts can be expensive to maintain and burdensome to administer. Keeping these accounts increases the likelihood that, over time, the employer will have "lost" participants to try to track down to deliver required notices. They can also increase the chances the plan will have 100 or more participants, which would require the employer to incur the expense of a certified public accountant to audit the plan per Department of Labor regulations.

Below, you'll find answers to commonly asked questions about handling these small accounts.

Q. Can we just distribute small accounts to the former employees?

A. Check your plan's provisions. Under federal law, plans can provide that if a former employee doesn't indicate how their account balance should be paid out, the plan can distribute the entire vested account balance as long as its vested accrued balance doesn't exceed the plan's cashout level. The cashout level may be set at a maximum of $5,000. Balances between $1,000 and $5,000 are required to be automatically rolled over to a Traditional (or Roth if there are designated Roth contributions) IRA. This is known as a mandatory distribution or involuntary cashout. For accounts valued at $1,000 or less, the plan can simply send the former employee a check for his or her balance. Accounts valued at $1,000 or less may also be rolled over for administrative convenience.

Q. Should nonvested assets be included when determining whether a mandatory distribution can be made?

A. You only must include the value of the former employee's nonforfeitable accrued benefit. If the employee wasn't fully vested in any portion of the account when he or she left your employ, you don't have to count the nonvested portion.

Q. What about rollovers?

A. Amounts in the plan that are attributable to rollovers from other plans don't have to be counted in determining whether a former employee's balance is $5,000 or less and subject to the cash out provisions. Thus, you may be able to cash out and roll over accounts greater than $5,000. The amounts attributable to rollovers, however, must accompany any other amounts in an account that is cashed out and automatically rolled over to an IRA. Note that rolled over amounts are included in determining whether a former employee's accrued benefit is greater than $1,000 for purposes of the automatic rollover requirement.

Q. What requirements do we have to meet when rolling over a small account?

A. To fulfill your fiduciary duties as a plan sponsor, the following requirements must be met:

- The rollover must be a direct transfer to an IRA set up in the former employee's name.
- The IRA provider must be a state or federally regulated financial institution, such as an FDIC-insured bank or savings association or an FCUA-insured credit union; an insurance company whose products are protected by a state guaranty association; or a mutual fund company.
- You must have a written agreement with the IRA provider that addresses appropriate account investments and fees.
- The IRA provider cannot charge higher fees than would be charged for a comparable rollover IRA.
- Other fiduciary responsibilities apply; contact your FuturePlan Consultant for more information.

Q. Are there rules for investing the rollover IRA?

A. The investments chosen for the IRA must be designed to preserve principal and provide a reasonable rate of return and liquidity, even if not guaranteed. Examples include money market mutual funds, interest-bearing savings accounts, certificates of deposit, and other "stable value products."

Q. Do we have to provide disclosures?

A. Yes. Before you cash out an account, you must notify the former employee in writing, either separately or as part of a rollover notice, that, unless the employee

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makes an affirmative election to receive a distribution of his or her account assets or rolls them over to another account, the distribution will be paid to an IRA. As long as you send the notice to the former employee's last known mailing address, the notice requirement generally will be considered satisfied. In addition, you must include a description of the plan's automatic rollover provisions for mandatory distributions in the plan's summary plan description (SPD) or summary of material modifications (SMM). ■

Cash Balance Plans as a Savings Strategy

Combining a Cash Balance plan with a 401(k) plan—with proper design—can provide for a retirement strategy with maximum deductibility and significantly higher contributions at a lower cost than a conventional 401(k) or defined benefit plan alone.

How It Works

Defined contribution (DC) plans, such as 401(k) plans, allow employees to make contributions based on their compensation. Defined benefit plans (DB) plans, such as Cash Balance plans, provide a specific benefit at retirement that is funded by the employer. So, employees receive retirement savings outside of what they save on their own.

In a 401(k) plan, the participant's retirement benefit amount depends on employee (and possibly employer) contributions, gains, and losses. Employer contributions in the 401(k) plan are usually lower than in a Cash Balance plan. Participant accounts in Cash Balance plans grow through annual employer contributions and interest credits. The plan actuary generates participant statements annually expressing the participant's benefit as a hypothetical account balance. In other words, a Cash Balance plan defines the accrued benefit in terms of a stated account balance. Older participants have the capability to receive a higher benefit accrual because they have fewer years to save.

When a Cash Balance plan is partnered with a 401(k) plan, the plan design of the profit sharing portion often uses a new comparability allocation formula with individual allocation groups. This allocation formula gives the actuary ultimate flexibility in funding contributions to minimize an employer's funding obligation, and satisfy annual coverage and general nondiscrimination compliance testing.

How Cash Balance and 401(k) Plans Compare

Features	Cash Balance Plan	401(k) Plan
Employee Participation	Not affected by employees contributing to a 401(k)	May be affected by employees choosing to contribute
Contribution Funding Obligation	Mandatory	Discretionary
IRS Sec. 415 Annual Benefits/ Additions Limit	2021 annual benefits limited to lesser of 100% of average compensation or $230,000	2021 annual additions, (mostly employer and employee contributions) limited to lesser of 100% of Sec. 415 compensation or $58,000
Minimum Participation Test IRC Sec. 401(a)(26)	Yes	No
IRC Sec. 410(b) Coverage and IRC Sec. 401(a)(4) General Nondiscrimination Testing	Yes	Yes
Annuities	Must offer as a lifetime annuity	May offer as a lifetime annuity
Investment Risk	Employer bears risk	Employee bears risk
Creditor Protection	Yes	Yes
Federal Guarantee	May be insured by PBGC	Not insured by PBGC

A Growing Strategy

Using Cash Balance plans as a retirement planning strategy is growing. Kravitz, Inc., part of FuturePlan by Ascensus, released the 2020 National Cash Balance Research Report, showing a 17% net increase in the number of new Cash Balance plans compared with a 2% increase in new 401(k) plans. Cash Balance plans now make up 42% of all defined benefit plans, up from just 3% in 2001.

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Ideal candidates for Cash Balance plans include:

- Principals seeking a tax deduction of more than $58,000 annually or making more than $290,000 per year per 2021 Cost of Living Adjustments (COLA)
- Consistently highly profitable companies of all types and sizes
- Consistently successful family businesses and closely held businesses
- CPA and law firms, medical groups, and professional service employers
- Older business owners who may have neglected saving for retirement

Partnering with a 401(k) Plan

If you're considering combining a Cash Balance plan with an existing 401(k) plan, it may require an amendment to the existing plan. To get the most from a Cash Balance plan, you should work with your financial professional, outside counsel, actuary, and TPA to be sure that you completely understand future obligations and how certain situations may affect your plan. Under the right circumstances, Cash Balance plans—alone or partnered with a 401(k) plan—may be just the right solution to help your business meet your retirement savings goals. ■

November 1 Deadline for SIMPLE Plans

SIMPLE IRA and SIMPLE 401(k) plans must be maintained for an entire calendar year (other than the first year you set up your plan), funding all contributions as promised in the employee notice.

If you plan to install any type of retirement plan in 2022 that would replace a SIMPLE plan, you must provide the SIMPLE plan termination notice to all employees by November 1, 2021.

November 1 Plan Termination Deadline: 3-Step Guide

1. Notify your employees 60 days before the end of the current plan year that you intend to discontinue your SIMPLE plan. This means that if you plan to terminate your plan at the end of 2021, you must provide them notice by November 1, 2021. IMPORTANT: If you don't provide the notice timely, you must sponsor the SIMPLE plan in 2022 and cannot establish another qualified plan, such as a traditional 401(k), until 2023.
2. Notify your SIMPLE plan's financial institution and payroll provider that you want to terminate your contributions because you won't be making SIMPLE IRA or SIMPLE 401(k) contributions for 2022.
3. While it's not necessary to notify the IRS of this change, keep records of your actions.

It's worth repeating: You cannot end your SIMPLE plan in the middle of a calendar year. Once started, you must continue your SIMPLE IRA or SIMPLE 401(k) for the entire calendar year, funding all contributions promised in the employee notice.

November 1 Plan Continuation Deadline

On the other hand, if you decide to continue your SIMPLE plan for 2022, regulations require that you provide the annual SIMPLE IRA or SIMPLE 401(k) plan notice to eligible employees by November 1, 2021 for the 2022 plan year. The notice must include:

- The participants' salary reduction rights
- Whether the employer required contributions will be matching or non-elective contributions
- The participants' salary deferral election period, which is generally the 60-day period immediately preceding January 1 of the coming calendar year, or, November 2 to December 31, 2021

Please contact your FuturePlan Consultant if you're considering terminating your SIMPLE plan and would like assistance with the process. ■

Compliance Reminders for 4Q21: Plan Year 2021

The following list highlights important, but not all, compliance dates for retirement plan administrators. Additionally, legislation could be updated throughout the year; these compliance reminders are accurate to the best of our knowledge but are subject to change. Please contact your FuturePlan Consultant with questions about compliance dates for your retirement plan.

October 2021

1 – Imposition of **defined benefit pension plan benefit restrictions** if the Adjusted Funding Target Percentage **(AFTAP)** hasn't been certified for the current calendar plan

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year. This assumes that the plan administrator hasn't elected to use the prior plan year's AFTAP percentage.

15 – **Retirement plan employer contributions** are due in order to be deducted on employer tax returns due to be filed October 15, 2021.

15 – Deadline for defined benefit pension plans, with a funding deficiency for the prior plan year, to make their third quarterly funding contribution for the 2021 calendar plan year.

15 – **Form 5500 Series/8955-SSA** – Forms that are on extension are due for the plan year ended December 31, 2020.

15 – Deadline for a **corrective (11-g) amendment** to the plan document to cure certain coverage, minimum participation, and non-discrimination requirements on behalf of the prior 2020 calendar year end.

15 – Pension Benefit Guaranty Corporation (PBGC) Comprehensive Premium Filing due date for the 2021 calendar plan year.

November 2021

1 – **Form 5500 Series/8955-SSA** – Forms are due for the March 31, 2021 plan year that are *not* on extension.

15 – **Retirement plan employer contributions** are due in order to be **deducted** on employer tax returns due to be filed November 15, 2021.

15 – **Form 5500 Series/8955-SSA** – Forms that are on extension are due for the plan year ending January 31, 2021.

15 – Section 401(k), and other participant investment directed retirement plan accounts, should provide **benefit statements to participants** within 45 days after the end of the preceding quarter.

30 – **Form 5500 Series/8955-SSA** – Forms are due for the April 30, 2021 plan year that are *not* on extension.

December 2021

1 – **Safe harbor notices for calendar 2021** Section 401(k)/403(b) safe harbor plans, using the employer match design, are required to be distributed to plan participants in order to satisfy the timing requirement in federal regulations.

15 – **September plan year 401(k) plans** must process **corrective distributions** for failed nondiscrimination tests to avoid a 10% excise tax.

15 – **Retirement plan employer contributions** are due to be deducted on employer tax returns due to be filed December 15, 2021.

15 – **Form 5500 Series/8955-SSA** – Forms that are on extension are due for the plan year ending February 28, 2021.

31 – **Form 5500 Series/8955-SSA** – Forms are due for the plan year ending May 31, 2021 that are *not* on extension.

31 – Deadline for pension plan's enrolled actuary to calculate a *specific* funding adequacy calculation/**AFTAP**, if a range AFTAP was previously issued.

31 – Recommended deadline to **draft and execute discretionary amendments** to the controlling retirement plan document on behalf of the 2021 calendar plan year.

31 – Deadline for certain Required Minimum Distributions (RMDs) for retirement plan participants who attain age 70 ½ (under prior law) in prior years. Please contact your FuturePlan Consultant.

31 – Deadline to make corrective distributions relating to 2020 calendar year failed ADP/ACP tests. Please note, a 10% excise tax may apply to such corrective distributions.

31 – Deadline for correcting a prior year (2020) calendar year end ADP/ACP test failure with an Employer Qualified Non-Elective Contribution (QNEC) if using the current year testing method.

31 – Deadline for electing to be a Safe Harbor 401(k) plan for the prior calendar year end, assuming the Plan Sponsor agrees to at least a 4% non-elective Safe Harbor contribution.

31 – **Section 420 Transfer of Pension Plan excess assets** – The Consolidated Appropriations Act (CAA) provides relief for certain overfunded defined benefit plans which transfer excess assets to health benefit accounts. This relief allows employers to make an election to end an existing transfer period if the election is made by December 31, 2021. Qualified *future transfers allow excess pension assets to be transferred to health benefit accounts* to pay for health or life insurance costs if certain requirements are met—including a minimum funding requirement. Please contact your FuturePlan Consultant well in advance if your plan would like to explore the use of this value-added strategy. ■

We Are FuturePlan

In 2016, Ascensus began expanding its TPA line of business by acquiring quality-focused local TPA firms from coast to coast. As a result of this expansion, we now have more than 1,500 associates serving more than 50,500 plans under the name FuturePlan.

Because we've been mindfully merging new firms into our company to help ensure ongoing quality and smooth service for clients and advisors, the FuturePlan name is being rolled out gradually. You'll continue to see our new name appear more frequently and in more places—in some cases alongside the name of the TPA firm that's been servicing your retirement plan.

Our Legacy of Leadership

Each of these leading TPA firms became part of FuturePlan by Ascensus so that we can deliver unmatched levels of service, innovation, and expertise to an ever-growing client base. By joining forces, we've become a leading national retirement TPA while preserving the strength and warmth of our client and partner relationships.

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