



# DRSUpdate

RETIREMENT SOLUTIONS FOR THE DIGITAL AGE

OCTOBER 2017 | ISSUE 4, VOL. 17

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## THE INS AND OUTS OF YOUR PLAN'S SPD

The importance of an accurate, current, and comprehensive summary plan description (SPD) cannot be overstated. In fact, recent court cases have highlighted the need for employers to review their plan's SPD to ensure it does not conflict with the plan document.

### What is the summary plan description (SPD)?

The SPD is the primary vehicle for informing plan participants and beneficiaries of their rights and obligations under the plan. It's essentially a summary of the key features of a retirement plan.

### What information should the SPD include?

The Employee Retirement Income Security Act (ERISA) specifies what is required in the SPD. The SPD contains a variety of information, such as:

- ✓ The plan's name and the name and address of the plan sponsor,
- ✓ Participant eligibility requirements,
- ✓ A description of benefits and the vesting schedule,
- ✓ The plan's normal retirement age,
- ✓ The sources of plan contributions,
- ✓ Benefit claim procedures, and
- ✓ Participant rights under ERISA.

### Is there a specific format that the SPD must follow?

No, but it must be complete and understandable. The language should be written in a way that is easily understood by the average participant and not misleading.

### When should the SPD be distributed?

In general, employers are obligated to provide participants and beneficiaries with the SPD within 120 days after a plan becomes effective. New participants have to receive the SPD within 90 days of becoming a participant. An updated SPD, which incorporates all interim plan amendments, must be furnished no later than 210 days after the end of the fifth plan year after the previous SPD. If there have been no changes to the plan, a new copy of the SPD must be distributed every 10 years.

### Can the SPD be sent electronically to participants?

If certain requirements are met, employers may furnish the SPD using electronic media, such as the Internet, an intranet, and e-mail. However, employers should ensure that appropriate measures are taken.

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For electronic dissemination of plan documents, regulations mandate that employers provide notice to participants that the forthcoming document contains important plan information (e.g., employers must give a description of the significance of the SPD and advise recipients that a paper copy of the SPD is also available upon request). The employee's consent may be needed. (This depends on the employee's job function and the availability of electronic access.) Paper versions of the SPD must be given to any recipient without the ability to access documents in electronic form.

## Do plans have to provide non-English versions of the SPD?

No. However, if several plan participants are literate only in the same non-English language (25% or more for plans with fewer than 100 participants, and the lesser of 500 or 10% for plans with 100 or more participants), then the plan must provide a non-English language notice that offers the participants assistance in learning about their rights and benefits under the plan.

## What if there is a conflict between the SPD and the plan document?

Where there is a conflict between the of-

ficial plan document and the SPD, and the SPD describes a benefit more favorable to the participant, the SPD has prevailed in a number of cases. Thus, it is critical that employers verify that their SPD is up to date, consistent with plan documents, and contains all the essential information relating to the plan.

## Where can I get a copy of my plan's SPD?

DRS includes a copy of your plan's SPD with reports that we prepare each quarter. You can also get a copy of your SPD by logging into the DRS website at [www.drs401k.com](http://www.drs401k.com).

## YEAR END CENSUS DATA FILES: THE EASY WAY

The IRS requires that certain tests and tax forms be completed on all qualified plans at the end of each Plan Year. Since most employers use the same fiscal year end as Plan Year end, this can mean compiling a lot of data for the company and the Plan in a short amount of time.

As part of our standard services, DRS performs all of the necessary compliance testing and prepares your annual IRS form 5500. In order to complete this work for you, there are certain items that we must have on every employee who was employed by your company during any portion of the year. Specifically, we need to have:

- ✓ First Name
- ✓ Last Name
- ✓ Social Security Number
- ✓ Date of Birth
- ✓ Date of Hire
- ✓ Date of Termination
- ✓ Year-To-Date (YTD) Compensation  
*Please refer to item 2 of the year-end packet for your plan's definition of compensation*
- ✓ YTD Deferral
- ✓ YTD Matching Contribution
- ✓ YTD Employer Profit Sharing Contribution
- ✓ YTD Hours of Service
- ✓ If any employee was excluded from participating in the plan we need a brief explanation for the exclusion.

In the year-end packet sent to each plan sponsor, a sample census file that lists all of the items we need on each company employee along with detailed instructions is included. If you are new to this process or do not know where to start, do not hesitate to contact us for a more detailed explanation of the items required for your plan. We would suggest talking to your payroll department or payroll service provider as they will have most, if not all, of the data required. Further, many payroll systems have reporting and export features that make preparing the census data file in an Excel, ASCII, or Fixed Field format very quick and easy.

In some cases you may need to collect data from multiple sources, like payroll and human resources, and end up with multiple files. Don't worry about trying to manipulate the data into a single Year End census data file to send to DRS. To save you time we've designed our system to combine this information from any number of files as long as each file has employee Name and Social Security Numbers included. For example: let us assume that you can easily get Name, Social Security Number, and Dates (Date of Birth, Date of Hire, Date of Termination) from your HR system. Additionally, you are easily able to get Name, Social Security Number, YTD Compensation, YTD Deferral,

YTD Matching, and Hours Worked from your payroll system. Simply send both files to our [yearend@drs401k.com](mailto:yearend@drs401k.com) e-mail address with a description of what is in each file. DRS will take care of the rest.

Keep in mind that DRS needs to receive complete and accurate census information no later than one month after your Plan year-end in order to guarantee completion of your discrimination testing and tax forms by their corresponding deadlines. Please refer to item 2 in the year-end packet, labeled "Year-End Census Request", and the corresponding sample census, to ensure that complete and accurate data is being provided. Companies that submit their Year End packets and census data later than one month following their Plan year-end will be processed in order of receipt. We, of course, make every effort to complete all year-end work by the IRS deadlines.

If you have any questions or need additional assistance please contact our Plan Support Department via email at [helpdesk@drs401k.com](mailto:helpdesk@drs401k.com). For more information on how to complete the year end packet, please see our companion article appearing in this newsletter entitled "Important Year-End Information."



## IMPORTANT YEAR END INFORMATION

For those of you with a December 31 plan year-end, you will soon receive a year-end information request from DRS. On the surface, the year-end packet seems a formidable undertaking. Because of this, in an effort to simplify the year-end packet and your responsibilities for providing information therein, we have broken down the packet into its three respective sections. Please review, complete, and return this time sensitive information to DRS by January 31, 2018. Below is some helpful information to assist you in the review process:

### 1. Year-end Information Request Form

This section of the packet gives you the opportunity to verify some of the company and Plan information that DRS has on file. It is important that DRS maintain accurate data because this is the information that we use to prepare your Plan's annual Tax Form 5500 as well as complete your Plan's discrimination testing, coverage, and top-heavy testing. This packet also has questions regarding company ownership and officers. If any of these portions of the year-end packet do not apply to your company, it is important that you enter "N/A" in the respective sections rather than leaving it blank.

### 2. Census Request

This may be the single most important piece of information you provide to us. Census Information is needed to complete your discrimination testing, determine eligibility and update vesting for your participants. Your census file should contain information for all employees who were paid by

the employer during the Plan Year, not just the ones participating in the Plan. In addition, the census file should also contain information on those employees excluded from participation in either the deferral or employer contribution portions of the plan and the reason for that exclusion. For more information on preparing your census file please see our companion article appearing in this newsletter entitled "Year End Census Data Files: The Easy Way.. (PLEASE NOTE. If you use Peak Payroll Solutions as your payroll provider, the census information should already have been provided to DRS and there is nothing you need to provide.)

### 3. Calculation Request

Did you know that DRS will calculate any employer contribution (like matching and/or profit sharing) you will be making for the Plan Year? We can even double check calculations you've done yourself to ensure the calculation complies with the allocation requirements specified in your plan document. If you would like to take advantage

of these no-cost services please indicate your election in this section of the year-end packet. For those of you who have matched deferrals throughout the plan year, this is a good opportunity for you to request that we annualize your matching contributions.

DRS relies very heavily on the accuracy of the data that you provide at the end of each Plan Year. Therefore, we hope that you will take the time to complete this packet as early and as thoroughly as possible. **Please remember that the information we are requesting needs to be received by DRS no later than one month after your Plan's Year-end date.** This will allow DRS the time required to process the information and avoid a situation where you, the employer, might incur penalties and/or excise taxes if IRS deadlines are missed or exceeded. If there is anything we can do to help you complete this process, please send inquiries via email to our Plan Support Department at [helpdesk@drs401k.com](mailto:helpdesk@drs401k.com) or contact our Compliance Group at [compliance@drs401k.com](mailto:compliance@drs401k.com) immediately.

## IRS LIMITS FOR 2015, 2016 AND 2017 TAX YEARS

**Annual Compensation Limit** – The maximum compensation which may be used to calculate benefits and contributions under a qualified retirement plan for the 2017 Plan Year. **\$270,000**

**Annual Defined Contribution Limit** - Generally includes employer contributions, employee contributions, and forfeitures allocated to a participant's account under a defined contribution plan. **\$54,000**

**Highly Compensated Employee Threshold** - An individual is considered highly compensated for IRS non-discrimination testing if the employee owned more 5% of the company in the current or prior year or if in the prior year the employee's compensation was more than the HCE threshold for that year. For example, to be considered an HCE in 2017, a participant must have made more than \$120,000.00 in 2016. To be considered an HCE for 2018, a participant will have to make more than **\$120,000** in 2017.

**Annual Deferral Limit** – The maximum any one participant may defer for the 2017 Plan Year. **\$18,000**

**Catch-Up Deferral Limit** – For participants turning age 50 or older during the Plan Year, the maximum additional "catch-up" deferrals allowed for the 2017 Plan Year. **\$6,000**

**Income Subject to Social Security** - The maximum amount of earnings subject to social security taxes in 2017. **\$127,200**

If you have not already done so, please update this information with your payroll

department. If you have any questions regarding these limits or how they affect your plan, please feel free to contact our Helpdesk at 303-485-9000 or [helpdesk@drs401k.com](mailto:helpdesk@drs401k.com) for assistance.

Annual Limits:	2015	2016	2017
Annual Compensation Limit [401(a)(17)/404(l)] :	\$265,000	\$265,000	<b>\$270,000</b>
Annual Contribution Limit [415(c)(1)(A)] :	\$53,000	\$53,000	<b>\$54,000</b>
HCE Threshold [414(q)(1)(B)] :	\$120,000	\$120,000	<b>\$120,000</b>
Annual Deferral Limit [402(g)(1)] :	\$18,000	\$18,000	<b>\$18,000</b>
Catch-Up Contributions [414(v)(2)(B)(i)] :	\$6,000	\$6,000	<b>\$6,000</b>

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## REDESIGNING YOUR MATCH

How do you get employees to contribute more to your retirement savings plan? Consider redesigning your employer match. Spreading the company match over a larger portion of employees' contributions may boost participant contribution rates.

### Making the Most of the Match

For some employees, the employer match is one of the main reasons they participate in their employer's retirement savings plan. They make sure they contribute enough to take full advantage of the match since it's "free" money. By redesigning the match formula, you may be able to encourage your employees to increase the amount they contribute to the plan.

### A New Formula

Raising the threshold for your employer matching contribution could increase employee contributions at no extra cost to your company. For example, suppose your current formula is a 100% match on the first 3% of compensation. You redesign your match formula so that you offer a 50% match on the first 6% of compensation. Employees now have to contribute 6% of their income to receive the full match, potentially increasing participant contributions without increasing your overall matching contribution amount.

### Opportunity To Educate

Redesigning your match also can be an opportunity to better educate your employees on the benefits of increasing their contribution rate. Review your communication materials to make sure they encourage employees to contribute more to the plan and to take full advantage of the employer match.

## DRS COMPLIANCE CALENDAR FOR DEFINED CONTRIBUTION PLANS\*

**October 15, 2017** – Final filing deadline for 2016 Form 5500 if extension was filed prior to July 31, 2017

**November 23, 2017** – DRS closed for Thanksgiving Holiday

**December 1, 2017** – Deadline to distribute Safe-Harbor Notice, Qualified Default Investment Alternative Notice and Annual Automatic Contribution Arrangement Notice

**December 15, 2017** – Extended deadline for distribution of SAR to participants

**December 25, 2017** – DRS closed for Christmas Holiday

**December 31, 2017** – Final deadline to correct failed ADP/ACP test via distributions or qualified nonelective contributions

**December 31, 2017** – Required minimum distributions due under IRC Section 401(a)(9)

**January 1, 2018** – DRS closed for New Year's Holiday

**January 15, 2018** – DRS closed for Martin Luther King Jr. Holiday

**January 31, 2018** – Mailing deadline for participant copies of 2017 1099-R's

**January 31, 2018** – DRS Year-End Information Packet and Census Data Due

**February 19, 2018** – DRS closed for President's Day Holiday

**February 28, 2018** – Filing deadline for 2017 1099-R's and 1096

**March 15, 2018** – Deadline to correct excess deferral and match for 2017 plan year testing failures without IRS penalties

**March 30, 2018** – DRS closed for Good Friday Holiday

**April 1, 2018** – Required minimum distribution (RMD) begin date for participants attaining age 70 1/2 or retiring after age 70 1/2 in 2018

**April, 13 2018** – Deadline to process corrective distributions for excess deferrals

**May 28, 2018** – DRS closed for Memorial Day Holiday

**June 30<sup>th</sup>, 2018** – Deadline to process corrective distributions for failed ADP/ACP test from EACA plans without incurring 10% excise tax

**July 4, 2018** – DRS closed for Independence Day Holiday

**July 31, 2018** – Initial 2017 Form 5500 and 8955-SSA filing deadline or deadline for filing extension (5558)

**July 31, 2018** – Deadline to file Form 5330 to report prohibited transactions and excess 401(k) contributions for 2017

**July 31, 2018** – Deadline to distribute Summary of Material Modification (SMM) for plans with amendments effective in 2018

**September 3, 2018** – DRS closed for Labor Day Holiday

**September 30, 2018** – Distribute Summary Annual Report (SAR) for plans that did not extend their 5500 filing deadline

\*assumes 12/31 Plan Year End

## CONTACT INFO

### Corporate Office

2420 Trade Centre Avenue  
Suite B  
Longmont, CO 80503  
Tel. (303) 485-9000  
Fax. (303) 485-9009

### For general questions:

[helpdesk@drs401k.com](mailto:helpdesk@drs401k.com)

### To submit your payroll files:

[files@drs401k.com](mailto:files@drs401k.com)

### To submit your year-end census data:

[yearend@drs401k.com](mailto:yearend@drs401k.com)

### For audit support, tax forms, and testing inquiries:

[compliance@drs401k.com](mailto:compliance@drs401k.com)

### For quotes for new retirement plan services:

[proposals@drs401k.com](mailto:proposals@drs401k.com)