10 Most Common Retirement Plan Errors

NOBLE DAVIS CONSULTING, INC
Retirement Plan Compliance Specialists
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1. Failure to Amend for Updates—Plan documents must be updated to reflect tax law changes. If the updates are not timely, the plan is disqualified. We will soon be in the restatement cycle for most plans (from 2014-2016), so be prepared and know who is responsible for updating your document.

2. Failure to Follow the Plan's Definition of Compensation— Plans define what kinds of participant compensation serve as the base for the employer contribution. "Compensation" can exclude certain kinds of pay.

3. Failure to Include or Exclude Employees— Plans may permissibly exclude certain categories of employees. With this kind of failure, a plan excludes those who should have been covered or includes those who should not have been covered.

4.Failure to Comply with Plan Loan Procedures— Many plans allow participants to borrow from their plan accounts. If the participant defaults, the loan must be reported as income to the participant. The failure occurs when the income is not reported.

5. Impermissible In-Service Withdrawals— Benefits to participants are paid when certain events occur, such as retirement, death, disability, or termination of employment. This error occurs when a participant receives a distribution while still em

6. Failure to Satisfy Minimum Distribution Rules—Generally, participants are required to take mandatory minimum distributions at age 70-1/2. Failure to make the required minimum distribution could disqualify the plan and expose the participant to a 50% penalty on the underpayment.

7. Employer Eligibility Failure— Some employers are prohibited from using particular types of retirement plans. For example, a government entity cannot sponsor a 401(k) plan. Some categories of tax exempt employers cannot adopt 403(b) plans.

8. Failure to Meet 401(k) Non-Discrimination Tests— Employee deferrals and employer matches in 401(k) plans are subject to special annual non-discrimination tests. These failures occur when these tests are not satisfied.

9. Failure to Meet Top-Heavy Rules — A plan is "top heavy" if more than 60% of assets are held in the accounts of key employees. If so, non-key employees must receive a minimum employer contribution annually.

10. Failure to Meet Section 415 Requirements — Section 415 of the Code limits how much a participant may receive as an employer contribution each year. If the limit is exceeded in any year, the plan is disqualified.

If you think you might have made one of the mistakes above, we can help!
Contact us today at: contactus@noblepension.com or (440) 498-8408
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