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### Inside This Issue:

- **Department of Labor turns a critical eye on deposits**
- **SPDs provide information that can help both employers and employees**
- **Summer Reading: Now is the time to review your plan's provisions**

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### A Little Less Conversation, A Little More Action: The D.O.L. Increases Scrutiny of Timely Deposits

#### Devil in the Details

The Department of Labor (D.O.L.) has recently begun taking a closer look at the timeliness of deposits into retirement plan accounts. Although this seems like a minor issue, this new enforcement focus could potentially cause problems for plan sponsors.

Here's a common scenario: an employer has twenty-four pay periods per year. That employer makes monthly deposits to the company's 401(k) account.

Under the current D.O.L. program, that's a problem; deposits are supposed to be made as soon as is administratively feasible, and hanging onto the withholding from the fifteenth just for the simplicity of depositing it with the withholding on the thirtieth isn't permitted.

In addition to being technically suspect, it's also easily discoverable in an audit. While the D.O.L. might not spot every detail, it's pretty easy to compare the number

of pay periods to the number of deposits and see a mismatch.

#### Maintaining Your Plan

What steps can you take to avoid Audit Purgatory? That's the good news: avoiding this particular pitfall is generally easy and painless.

First, and most obviously, make sure you're forwarding your employee's deferrals (and loan repayments) each pay period; the number of pay periods should equal the number of deposits.

Second, don't delay! Even if your payrolls and deposits match up, the D.O.L. can still "ding" you if you dawdle between withholding deferrals and actually depositing them.

Third, **ask us** if you'd like to review your process; we've dealt with hundreds of audits and auditors, and we know what they're looking for. We're always glad to lend our expertise to your operation; call on us any time!

**Office Complex, Simplified**

Qualified plans are many things – great tax shelters for owners and employees, excellent vehicles for retirement savings, useful tools to attract and retain quality employees – but one thing they are not is simple. We work on retirement plans full time, and even we have to look up the rules; the average participant can find understanding a retirement plan a real chore.

Fortunately, there are tools available to help employees understand their plan: plan documents, enrollment meetings and online resources all help to address the need for participant education. A new tool, and one that your employees may find particularly useful, is a *Summary Plan Description* prepared by Benefit Planning, Inc.

Some recent rulings by the Internal Revenue Service have focused on the importance of providing employees with guidance on their retirement plan; a Summary Plan Description (SPD) not only fulfills your legal duty to the feds, but can also serve to highlight the terrific benefit you are giving your employees through your retirement plan.

At its most basic level, an SPD is a simple, plain-language recap of your plan document. We have crafted our SPDs along the lines suggested by the IRS: we use a straightforward, question-and-answer format designed to address the most common questions of participants, while not overwhelming them in arcane detail.

While an SPD can't be used to exaggerate the benefits or minimize the limitations of your plan, sponsors tell us that their employees are more enthusiastic about their retirement benefits after reading their SPD. Contributory plans (like 401(k) or cafeteria plans) often experience increased participation when employees are given comprehensible information on them. This is a rare and fortuitous case of the government requiring sponsors to do something that helps employers and employees alike. You should be pleased that your employees are getting useful information.

Some of our sponsors have already begun to receive their SPD; others are "in the pipeline" and will be making their way to you shortly. In either case, you should review the SPD for accuracy, and should certainly contact us if you have

any questions or comments. We're always happy to help!

**Mid-Year Plan Review: Summertime is the Right Time!**

As the calendar rolls over from spring to summer, and the days start getting shorter again, we would like to remind you that summer is an excellent time to review your plan's provisions and make any adjustments that may be in order. Plans must be amended prior to the end of the plan year, and for the majority of our clients, that means December 31.

Since several major deadlines loom in the fall, and we'd rather not add to your holiday stress in November and December, summertime is the logical time for a plan review. We are conducting our own internal reviews and will proactively contact our clients who appear to warrant a closer look, but if you have any changes you'd like to make, or just want to review your current plan, please don't hesitate to contact us.

***Enjoy your summer!***

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