

## **Give your Retirement Plan a Check-Up before the IRS does**

The IRS recently announced a *pre-examination retirement plan compliance program* in June 2022. If selected, the IRS will send a letter to plan sponsors (while they have not announced the specific number, this typically involves a small percentage of plans) indicating that their retirement plan was selected for an upcoming examination. The letter gives plan sponsors a 90 day window to review their plan documents and operations to determine if they meet current tax law requirements. During this 90 day period, if mistakes in the plan documents or operations are discovered, plan sponsors will be given the opportunity to self-correct these mistakes, if possible.

The IRS will review the documentation provided and, if there are errors, determine if they agree that any mistakes were appropriately self-corrected. They will then either issue a closing letter or conduct a limited or full scope examination. If no response *at all* is received within 90 days, the plan will automatically be scheduled for a full examination.

We thought this would be a good time to remind you about the importance of reviewing your plan documents and plan operations on an ongoing basis to ensure the plan is in compliance.

- Make sure any changes are communicated to your HR department and payroll provider to ensure payroll contributions are being deducted properly.
- Verify that elective deferrals and loan repayments were timely deposited to the plan.
- Verify that any contributions due for the prior plan year have been deposited by the Employer's tax filing deadline (including extensions).
- Verify that payroll is using the correct definition of compensation. For example, does your plan include bonuses and, if so, are elective deferrals being deducted from bonuses?
- Verify that eligible employees were identified properly and that plan eligibility and entry dates were monitored and applied timely. Maintain records of the dates that eligible employees were offered the plan.
- It is good practice to stress to plan participants the importance of providing updated beneficiary designation information to the Plan Sponsor.
- Make sure required participant documents and notices, as applicable, have been distributed timely. These could include:
  - Summary Plan Description
  - Summary Annual Report
  - Safe Harbor Notice
  - Automatic Enrollment Notice
  - Qualified Default Investment Alternative (QDIA) Notice
  - Fee Disclosure Notice
- Report to and discuss changes in ownership with your Paragon Plan Consultant on a timely basis. Were any acquisitions or company divestitures reported timely?
- Take steps to locate missing participants and update applicable records.

Please contact your Paragon Plan Consultant with any questions. **Should you be selected for a Compliance Check, please contact us so we can review the information being requested by the IRS and provide guidance and assistance with any corrections that might be needed.**