

# Plan Administrator Guide

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Your qualified retirement plan combines current employer tax savings with retirement security for participants. Congress specifically provided for this favorable treatment in the Internal Revenue Code. However, in order for your plan to obtain and keep its qualified status, the sponsoring Employer must perform certain duties. Failure to do so can result in plan disqualification and/or substantial penalties imposed by the Internal Revenue Service (IRS) or the Department of Labor (DOL).

**This guide is intended to assist you, the Plan Administrator, in complying with the rules governing plan administration.**

***This guide is only a reference.*** *It is not to be construed as offering legal or actuarial advice.* It is intended to help you maintain proper records and perform other duties that will enable the completion of the various forms referred to in this guide on a timely basis. Qualified Pension Services, Inc. (QPS) assists with duties noted in the following guide, and helps to protect the tax deferred nature of the trust with thorough procedures and expertise in governmental compliance. **QPS exists to efficiently maintain your retirement plan and provide assistance in the fulfillment of your duties as the Plan Administrator.**

***Please Note:*** QPS is never the “Plan Administrator” or “Trustee” for its clients’ plans. QPS acts as a “Third Party Administrator” (TPA) and has no discretionary authority or control over any of its clients’ plans. QPS does NOT act in a fiduciary capacity with respect to any of its clients’ plans.

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# ERISA Fiduciary Rules

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In 1974, the Employee Retirement Income Security Act (“ERISA”) was enacted. ERISA established fiduciary requirements and restrictions. As a plan fiduciary, knowledge of your responsibilities and duties under ERISA is essential.

As a fiduciary of an employee benefit plan, you must operate the plan in accordance with ERISA’s various rules as well as regulations issued by the IRS and the DOL. These rules are designed to protect the interests of the participants and beneficiaries of the plan. Obviously, the better you understand the standards to which you are held, the more likely it is that you will not violate any of your fiduciary duties.

## Plan Sponsors and other fiduciaries are obligated to:

- Understand the terms of their plans
- Select and monitor service providers carefully
- Make timely contributions to fund benefits
- Make timely disclosures to workers and their beneficiaries
- File annual tax returns; and
- Avoid prohibited transactions

## What is a Fiduciary? Any person or entity that:

1. Exercises discretionary authority or control over management of the plan or control over disposition of its assets
2. Renders investment advice for a fee
3. Has discretionary authority or discretionary responsibility in the administration of the plan

## Who is a Fiduciary?

1. Plan Sponsor (employer)
2. Plan Administrator (the sponsor of the plan)
3. Named Trustees of the Plan
4. Financial Advisor

## What are the Primary Fiduciary Requirements?

1. To perform duties solely in the interest of the plan participants and beneficiaries
2. To carry out all duties with care, skill, prudence and diligence that a *prudent person* would use

## What are some of the Fiduciary Responsibilities?

1. To maintain proper plan documentation
2. To apply annual discrimination tests
3. To determine eligible plan participants & allocate contributions according to their current plan document
4. To apply current IRS plan limits and compute tax deductible contributions

## ERISA Fiduciary Rules (continued)

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5. To complete and file all required government tax forms (IRS Form 5500 & related schedules)
6. To file with the IRS and retain copies of all 1099Rs, 1096s & 945 deposits
7. To provide a Summary Annual Report and other disclosures to all active plan participants and/or beneficiaries
8. To obtain an auditors report if required (specific to large plans)
9. To make timely contribution deposits especially with regard to employee deferral money
10. To identify "Parties in Interest" and monitor transactions with them
11. To obtain and maintain adequate Fidelity Bond coverage as required by law

### What are Co-Fiduciary Responsibilities?

A fiduciary will be liable for another fiduciary's violation if the fiduciary –

- participates in or acts to conceal a violation
- permits the other fiduciary to commit a violation
- has knowledge of another fiduciary's violation and fails to take reasonable steps to remedy

### Responsibilities Specific to Investment Policies and Procedures:

1. To evaluate plan investment needs based on demographics of the work force
2. To create and maintain an Investment Policy Statement
3. To compare and select investments and investment providers for the benefit of plan participants & beneficiaries
4. To monitor investments and investment providers
5. To document periodic investment reviews

Please note: Fiduciaries may receive investment protection by complying with current regulations and guidelines found under ERISA Section 404(c). Additional information on this subject may be found on the DOL website at: [www.dol.gov/ebsa](http://www.dol.gov/ebsa)

### Responsibilities Specific to Fees and Expenses:

1. To ensure that fees and/or expenses paid by the plan are reasonable in light of the quality and quantity of services provided
2. Both costs and quality are important factors to consider
3. All fees charged to participants should be disclosed

### Responsibilities Specific to Participant Communication and Education:

1. To furnish a Summary Plan Description (SPD) booklet to eligible plan participants
2. To provide a description of plan's investment alternatives and required notices
3. To educate plan participants on investment objectives and risk return characteristics
4. To provide an explanation of any fees paid by plan participants
5. To ensure that enrollment materials with current plan specific information are given to eligible employees
6. If the plan sponsor wants 404(c) protection for its fiduciaries, this must be communicated to plan participants per DOL guidelines

## Overview of Roles and Responsibilities

- **Plan Sponsor** – The Company or individual who sponsors the qualified plan.
- **Financial Advisor** – An investment professional who provides enrollment assistance and information related to investment options.
- **QPS** – A third party administrator who works with the plan sponsor to ensure proper plan administration.
- **Funding Company** – An investment carrier responsible for maintaining participant accounts and providing recordkeeping services.

Plan Document and Setup	Plan Sponsor	Financial Advisor	QPS	Funding Co.
Provide company information and census data for proposals	✓			
Assist Plan Sponsor with plan design and consulting		✓	✓	
Prepare actual plan document, related materials and IRS submission if required			✓	
Obtain or renew fidelity bond	✓		✓	
Assist Plan Sponsor in determining eligibility and plan entry dates			✓	
Provide funding company choices		✓		
Select funding company and investment choices	✓	✓		
Provide installation guide		✓		✓
Submit funding company contract		✓	✓	
Prepare investment policy statement		✓		
Prepare enrollment and education materials		✓	✓	✓
Coordinate employee education meeting(s)	✓	✓	✓	✓
Collect and review enrollment forms	✓		✓	
Submit enrollment information to the Funding Co.	✓		✓	
Collect and maintain all enrollment forms & beneficiary designations	✓			✓+
Collect and maintain <i>initial</i> enrollment forms & beneficiary designations	✓		✓	
Coordinate with payroll provider	✓			
Submit timely contribution deposits to Funding Co.	✓		✓*	
* QPS may submit contributions for a Plan Sponsor if contracted to do so.				
Takeover Plans	Plan Sponsor	Financial Advisor	QPS	Funding Co.
Prepare blackout notice if required			✓	✓
Timely notify plan participants of upcoming transition	✓			
Communicate/coordinate with payroll service & prior service providers	✓	✓	✓	✓
Receive and invest takeover assets				✓
Reconcile assets and takeover data from prior service providers			✓	✓

## Overview of Roles and Responsibilities (continued)

Ongoing Administration	Plan Sponsor	Financial Advisor	QPS	Funding Co.
Assist Plan Sponsor in determining eligibility and plan entry dates			✓	
Prepare enrollment and education materials	✓	✓	✓	✓
Conduct employee education meeting(s)	✓	✓		✓
Collect and review enrollment forms	✓	✓		
Update participant enrollment information	✓			
Submit timely contribution deposits to Funding Co.	✓		✓*	
Prepare all required plan participant notices			✓	✓
Distribute required plan participant forms and notices	✓			
Plan Distributions & Loans	Plan Sponsor	Financial Advisor	QPS	Funding Co.
Complete and forward appropriate forms for distributions or loans	✓**			
Update Funding Co. employee status	✓			✓
Provide required tax notices and paperwork for participant			✓	✓
Coordinate distribution of available funds			✓	✓
Annual Plan Year End Administration	Plan Sponsor	Financial Advisor	QPS	Funding Co.
Provide data request packet to Plan Sponsor prior to plan year end			✓	
Complete annual data request/census (payroll provider may assist)	✓			
Calculate Plan Sponsor contributions and/or forfeitures			✓	
Reconcile trust assets			✓	
Perform required discrimination tests			✓	
Calculate refunds and process required minimum distributions			✓	
Prepare participant disclosure notices and Summary Annual Report			✓	
Prepare IRS tax forms and related schedules			✓	
Assist auditor if applicable			✓	
Forward projected eligibility report to Plan Sponsor & Financial Advisor			✓	
Provide Funding Co. with updated vesting information			✓	

+ Funding Company MAY require enrollment forms, most do not

\* QPS may submit contributions for a Plan Sponsor if contracted to do so.

\*\* Forms are available on our website at: [www.QPSinc.biz](http://www.QPSinc.biz)

# Operational Guide

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## Determining who is Eligible to Enter the Plan:

We suggest keeping your plan specifications list handy so you can mark your calendar with the future entry dates of new employees. QPS can help you with this task by reviewing your employee census data at the end of each plan year. A projected eligibility report will be supplied to you and your Financial Advisor if you have annual or semi-annual entry dates. This report will list your eligible employees by name and their respective plan entry dates.

- Each eligible employee should be supplied with a current Summary Plan Description, a Safe Harbor Notice if applicable, Participant Disclosures, enrollment forms and a beneficiary designation within 90 days of eligibility.

## Safe Harbor 401(k) Plan:

If your plan is a “Safe Harbor 401(k) Plan” a Safe Harbor Notice must be distributed to all eligible plan participants at least 30 and no more than 90 days before the beginning of the plan year for the Safe Harbor Provisions to be effective. If the Notice is not distributed, the plan will not be able to avoid the anti-discrimination tests imposed by law. To remove Safe Harbor provisions it is necessary to amend the plan document *before* the beginning of the year. QPS will provide you with a Safe Harbor notice each year in time for you to distribute it as required.

## Automatic Enrollment:

If your plan has Automatic Enrollment provisions a Notice must be distributed to all eligible plan participants at least 30 and no more than 90 days before the beginning of the plan year for these provisions to be effective. If the Notice is not distributed, the plan will not be able to avoid the anti-discrimination tests imposed by law. To remove these provisions it is necessary to amend the plan document *before* the beginning of the year. QPS will provide you with an Automatic Enrollment notice each year in time for you to distribute it as required.

## 401(k) Plan Enrollment Forms:

Each new entrant who has satisfied the eligibility requirements of the plan should receive enrollment forms. Even if an eligible employee does not wish to defer they are still required to complete enrollment forms. This gives proof that the employee was given the opportunity to participate in the plan and protects the plan sponsor.

In accordance with plan provisions, participants are allowed to direct the investment of their plan investments. Participants must select the investments they wish to invest in. If a plan participant wishes not to self-direct their investments, they should be instructed to notify the plan sponsor and investment selections will be made for them.

Enrollment forms vary from Fund Company to Fund Company. Some are completed online through the Fund Company website while others may be filled out in paper and faxed into the Fund Company. Please contact your Fund Company to determine the procedures that best suit your needs. The Plan Sponsor must retain all original copies of enrollment forms.

Blank forms are available on our website homepage under Forms if your financial company does not provide them.

### **Annual Participant Fee Disclosure:**

Each new entrant who has satisfied the eligibility requirements of the plan should receive required fee disclosure information before they are first able to direct investments in the plan. On an annual basis, this disclosure must be provided to all eligible employees, terminated participants with balances and beneficiaries with balances. If plan related information or expenses change during the year a notice must be provided to participants 30-90 days prior to the effective date of the change.

### **Beneficiary Designations:**

Each new entrant who has satisfied the eligibility requirements of the plan should receive a Designation of Beneficiary form. This form will serve as proof that the Employee applied for participation in the plan and most importantly, insures that the required death benefit beneficiary designations have been made. Each participant should execute two beneficiary forms. The Plan Sponsor by law must retain one original, executed form and the participant should retain another as part of their important paper records. Instructions for completion of the beneficiary form may be found on our website under the Forms tab.

QPS will scan *initial* enrollment and beneficiary designations during the plan setup or takeover phase. Future enrollment paperwork should be retained at the business. QPS and your Financial Advisor do NOT require copies.

Most fund companies do not require a copy of the Beneficiary Designation. We do however encourage you to contact your Fund Company to determine whether or not they require a copy.

Blank forms are available at the top of our website homepage under Forms if your financial company does not provide them.

### **Payment or Distribution of Benefits:**

Distribution of benefits can occur for a variety of reasons and are governed by your specific plan document. **A variety of generic distribution forms may be found on the QPS website homepage under FORMS/Distributions: [www.qpsinc.biz](http://www.qpsinc.biz)**

- **Terminated Employee Distributions** must be initiated by the Plan Sponsor. We ask that plan sponsors complete and forward a **Distribution Authorization Form** to QPS at the time of termination unless distributions are processed online through your fund company. Plan Sponsors should also update employment status at the fund company so that only active employees will show up when contributions are made. If this is not done the fund company will update employment status when a distribution occurs.
- **In-Service Distributions** and loans are initiated by the plan participant. These have constraints imposed by regulations and by your plan document. A plan participant can access these forms through the fund company or on our website depending on your plan provisions. If QPS is responsible for such distributions the participant should complete and fax the appropriate form to QPS, along with any required documentation for further processing.
- **Rollovers into your plan** are also initiated by the plan participant. Rollover forms must be obtained from their current rollover institution. Plan rollovers are accepted based on your specific plan provisions. Please contact your plan consultant at QPS to determine the appropriate steps required by your plan.

## Operational Guide (continued)

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### Filing Requirements for Payment of Benefits:

- 1. Form 1099-R.** This form must be furnished to any participant who receives a distribution from the plan (or elects a direct rollover) and must be given to the recipient no later than January 31st following the calendar year of the distribution or rollover. The Funding Company or QPS may be responsible for the creation and distribution of these forms on behalf of the Plan Sponsor.
- 2. Form 1096.** This transmittal form is used only when Form 1099-R is not filed electronically. It includes copies of all Forms 1099-R for the plan year and must be filed with the IRS no later than the February 28th following the calendar year in which the distributions were made.
- 3. Form 945.** Form 945 is used to report Federal Income taxes withheld from cash payments made to a plan participant or other beneficiary. All federal income taxes withheld on forms 1099-R must be reported on Form 945 and filed annually for any year in which such withholding occurs.

# Annual Plan Year End Administration

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## Plan Anniversary Date:

This is the last day of your plan year. It is also the basis for the required annual reports to participants and to the government. QPS will send you an annual data request packet just prior to your plan year end. Though your plan may have valuations during the course of the year, i.e. quarterly, semiannually or daily, your year end data is used for most of the government compliance work. Thus, *it is absolutely essential that we have complete data from you* in accordance with the forms that we provide for this purpose.

QPS also asks that you keep us informed of any changes made to the ownership of your company or companies as they occur. Governmental rules stipulate who must be included in your retirement plan benefits.

It is essential that you keep complete and accurate records of all plan activity on an ongoing basis. This will simplify the reporting and disclosure procedures and will enable QPS to prepare your annual reports on a timely basis.

Among the records that must be kept and submitted to QPS upon request are:

Census information on all employees employed during the plan year, including:

- Social Security Number
- Date of birth
- Original date of hire
- Change of status date and reason
- Employee's plan compensation for the entire plan year
- Employee's plan compensation while a participant in the plan (for new participants only)
- Hours worked by each employee during the plan year

## Annual Filing Requirements:

Every Plan Sponsor is required to file a series of IRS Tax Forms each year. Form 5500 is required and any attached schedules depend on the number of participants and type of activity during the plan year. QPS will prepare the required tax filings which must be filed with the government no later than 7 months following the close of the plan year. An extension of time to file is permitted for an additional 2 ½ months if warranted.

## Annual Report to Participants:

The report that must be furnished to each participant on an annual basis is the Summary Annual Report (SAR). The SAR, in effect, is a "plain English" explanation of the information contained in the IRS tax form 5500.

The SAR must be furnished to participants on or before the last day of the 9th month following the end of the plan year. This deadline may be extended if the employer has received an extension for filing its Federal tax returns.

Participants also have the right to inspect reports and forms concerning the plan, and to obtain copies of those reports. Access must be provided at reasonable times and at no cost, though the participants may be charged a copying fee if they request copies. The forms available for inspection include IRS Tax Form 5500 and applicable attachments.

## Annual Plan Year End Administration (continued)

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Certain disclosures regarding plan investment options available must be furnished to plan participants and beneficiaries on a quarterly basis. These disclosures explain the investment accounts and diversification options available under the plan.

The distribution of participant notices can be provided in person, by mail or via a company sponsored email. Posting on a physical or company intranet bulletin board is not sufficient.

### IMPORTANT DATES

Transaction	Date
Remittance of 401(k) deferrals and loan payments	In most cases, as often as your payroll frequency, deposited within 7 business days
Employer contributions must be postmarked for deposit or actually deposited by	The date your corporate tax return is due, including extensions
Corrective distributions for failed ADP/ACP test (to avoid 10% Employer excise tax)	Distributions must be made no later than 2 ½ months after plan year end unless your plan has automatic deferral provisions
Corrective distributions of excess deferrals	April 15th
Annual IRS Form 5500 filing	Last day of 7th month beginning after plan year end
Request for extension of annual IRS Form 5500 filing	Last day of 7th month beginning after plan year end
Extension of 5500 filing	2 ½ months after original filing deadline
Distribution of Summary Annual Report	Last day of 9th month beginning after plan year end (including extensions)
Distribution of Summary Plan Description	Within 90 days after becoming a plan participant
Distribution of annual Safe Harbor Notice	30-90 days prior to the first day of the plan year using the Safe Harbor provision
Distribution of annual Fee Disclosures	At least annually and 30-90 days prior to the effective date of any changes to plan related information