



Plan Sponsor Monthly

from
MCCREADY AND KEENE, INC.

Important Approaching Deadlines

Please make note of these important approaching deadlines for calendar year plans:

June 30, 2016:

- **6 months after plan year-end:** Deadline for completion of corrective distributions for failed actual deferral percentage/actual contribution percentage plan testing for certain plans with an eligible automatic contribution arrangement to avoid IRS 10 percent excise tax assessed against the employer on the amounts distributed.

In order for a plan with an eligible automatic contribution arrangement to take advantage of the ability to delay refunds processing until six months after the end of the plan year without the 10 percent penalty, the eligible automatic contribution arrangement provisions must apply to all employees, not just employees hired after the eligible automatic contribution arrangement provisions were adopted.

July 28, 2016:

- **210 days after plan year-end:** Deadline for distributing the Summary of Material Modification (SMM) if the plan was amended in 2015.

August 1, 2016:

- **7 months after plan year-end:** Deadline for the employer to file the Form 5500, Form 5500-SF and Form 8955-SSA. If we provide Form 5500 series return preparation services for your plan, you can take advantage of the extended Form 5500 filing deadline of October 17, 2016, that we requested for your plan. We have filed the Form 5558, Application for Extension of Time To File Certain Employee Plan Returns, on your behalf and marked Box D on the Form 5500 and Box C on both the Form 5500-SF and Form 8955-SSA (if applicable) to indicate the extended deadline.
- **Last day of the 7th month after the end of the tax year of the employer or other person who must file the return:** Deadline for employers to file Form 5330, Return of Excise Taxes Related to Employee Benefit Plans, for excise tax due on nondeductible contributions and prohibited transactions (including the excise tax due as a result of late deposits).

If your plan year begins on a date other than January 1, please make adjustments to the dates to coincide with your plan year. Not all deadlines are based on the plan year. Examples of deadlines not based on the plan year include return of excess deferrals (April



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15), required minimum distributions (April 1) and Form 5330 filing for prohibited transactions (last day of the 7th month after the end of the tax year of the employer or other person who must file the Form 5330.) Under Internal Revenue Code section 7503, when a deadline falls on a weekend (i.e., Saturday or Sunday) or a legal holiday, the performance of such acts shall be considered timely if completed the next business day. However, corrective distributions should be processed the day before the weekend or legal holiday.

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Prepare for Your Form 5500 Filing

Form 5500 filings for calendar year plans are due without extension on August 1, 2016. With extension, filings are due October 17, 2016. There are several things you should be thinking about now to ensure you are prepared to file the Form 5500 by the deadline.

Consider the following:

- Have you obtained your credentials to file your Form 5500 or Form 5500-SF electronically?
- Have you remitted all of your contributions for the 2015 plan year?
- If your plan transitioned to OneAmerica/McCready during the 2015 plan year, have you provided us with prior Form 5500 filings as well as financial information for the period of time during the plan year that your plan was with your previous recordkeeper? We must receive all information by August 1, 2016, in order to complete your filing timely.
- Do you have a fidelity bond for your plan?
- If your plan is a large plan (i.e., a plan with 100 or more participants), have you made arrangements for an independent audit of your plan?
- If your plan is a small plan (i.e., a plan with less than 100 participants), does it qualify for the audit exemption under the [Small Pension Plan Audit Waiver Regulation](#)? If not, have you made arrangements for an independent audit of your plan?
- Have you been remitting employee contributions and loan repayments timely? Information about late deposits must be reported and penalties may apply.
- Have you notified your plan manager of any changes to your address, phone and/or contact information? We will notify you by email when your Form 5500 is complete; therefore, accurate contact information is very important.

We filed a Form 5558, Application for Extension of Time To File Certain Employee Plan Returns, on behalf of clients for whom we prepare a Form 5500 filing. We marked Box D on the Form 5500 and Box C on both the Form 5500-SF and Form 8955-SSA (if applicable) to indicate the extended deadline. Therefore, you can take advantage of the extended Form 5500 filing deadline of October 17, 2016.

Beginning with the 2015 filing year, we are updating how we present your Form 5500 and related schedules to you. You will receive an email from 5500Forms.RS@OneAmerica.com that indicates your Form 5500 is ready to view and file and also includes a revised Important Information filing guide. We trust that you will notice improved efficiency.



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The Internal Revenue Service (IRS) added new compliance questions to the 2015 Form 5500. However, these questions were not approved by the Office of Management and Budget. The 2015 filing instructions state responding to these questions is optional for the 2015 plan year. On February 17, 2016, the IRS released an announcement stating the questions should not be completed for the 2015 plan year. See [IRS Compliance Questions on the 2015 Form 5500-Series Returns](#).

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File Your Form 5500 and Form 8955-SSA Early

Don't wait until your filing deadline to access the Department of Labor's (DOL's) ERISA Filing Acceptance System (EFAST2) to file your Form 5500 series return and/or the Internal Revenue Service's (IRS') Filing Information Returns Electronically (FIRE) system to file your Form 8955-SSA (if applicable). Increased traffic to these websites on the deadline often results in delays and possible system downtime and increases your risk for submitting your filing and forms late. Failure to file timely subjects you to penalties including:

- The IRS penalty for late filing of a Form 5500 series return is \$25 per day, up to a maximum of \$15,000.
- The DOL penalty for late filing of a Form 5500 series return can be up to \$1,100 per day, with no maximum.
- The IRS penalty for late filing of a Form 8955-SSA includes:
 - \$1 for each participant not reported and for each day the failure continues up to \$5,000 for any plan year.
 - \$1 for each day for not filing a notification of change of status up to \$1,000.

Correction of a late filed Form 5500 or 5500-SF filing is available under the DOL's Delinquent Filer Voluntary Correction Program. Cost for filing is:

- Small Plan Filers (i.e., plans with fewer than 100 participants at the beginning of the plan year) - Applicable penalty amount is \$10 per day for each day the Form 5500 or Form 5500-SF is filed after the due date not to exceed \$750.
- Large Plan Filers (i.e., plans with 100 or more participants at the beginning of the plan year) - Applicable penalty amount is \$10 per day for each day the Form 5500 or Form 5500-SF is filed not to exceed \$2,000.

With limited exception, we will complete your filing well ahead of your filing deadline. Therefore, we recommend that calendar year plans file before October 1st.

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Electronic Delivery of Notices, Disclosures and Other Important Documents

In addition to quarterly statements, each active participant in the plan, each retired participant receiving benefits from the plan, each terminated participant entitled to a deferred vested benefit and each beneficiary receiving benefits from the plan must receive notices, disclosures and other important documents.

Notices

If your plan design requires an annual notice, they must be distributed at least 30 days prior to the beginning of the next plan year. Examples of plan design features that require an annual notice include:

- Safe harbor 401(k) provisions
- Savings Incentive Match Plan for Employees (SIMPLE)
- Automatic contribution arrangement (ACA)
- Qualified automatic contribution arrangement (QACA)
- Eligible automatic contribution arrangement (EACA)
- Qualified default investment alternative (QDIA)
- Participant fee disclosures

Disclosures

Participants and beneficiaries with the right to direct investment of assets in their account must receive a fee disclosure on or prior to the date they can first direct investments then annually thereafter. New participant fee disclosures must be distributed 30-90 days prior to certain changes.

Other important documents

Some examples of other documents that require distribution include:

- Summary of Material Modification (SMM) must be distributed 210 days after the end of the plan year in which the plan was amended.
- Summary Annual Report (SAR) must be distributed 9 months after the end of the plan year unless the Form 5500 filing was extended.
- Summary Plan Description (SPD) must be distributed within 90 days to all new participants who enroll in the plan. In addition, best practice would be to distribute a new SPD within 90 days after the date a restated adoption agreement has been signed.

As you can see, you may have several communications throughout the plan year. Many plan sponsors ask if they can deliver their notices, disclosures and other important documents electronically. The short answer is, "it depends." The Internal Revenue



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Service and the Department of Labor have different rules for electronic delivery. In some cases, it may be more burdensome to comply with the rules for electronic delivery rather than using a traditional delivery method (e.g., mailing). We encourage you to review the rules thoroughly and create procedures and processes to ensure that you satisfy the requirements. For more information, please see [Distributing Materials Electronically FAQ](#).

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Large Plan Filer Audit Tips

To help you make your audit more efficient, meet deadlines and avoid potential Department of Labor (DOL) and Internal Revenue Service late filing penalties, be:

Prepared

- Gather requested documents in advance
- Keep copies of plan documents and amendments
- Send all requested information from the third-party administrator in one complete package (if applicable)

Available

- Make yourself available to the auditors especially when they are in your office
- When possible, coordinate your schedules with the auditor
- Provide your auditor with electronic access to your secure portal if possible
- Respond to your auditor's requests timely

Proactive

- Send census information to your auditors at the same time that you send it to your recordkeeper or TPA
- Work to fix issues immediately
- Ask questions

Related to audits and auditors, the DOL's Employee Benefits Security Administration has published an informational document, [Selecting An Auditor For Your Employee Benefit Plan](#).

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Timely Remittance of Employee Contributions

Plans that are subject to Title I of the Employee Retirement Income Security Act of 1974 (ERISA) must satisfy Department of Labor (DOL) requirements regarding the timely remittance of employee deferrals, after-tax contributions and participant loan repayments.

Most profit sharing, money purchase, 401(k) and 403(b) plans are subject to Title I. There are a few types of plans that are exempt from Title I. These include 457(b) plans, church plans that have not elected to be subject to the minimum eligibility and vesting requirements of ERISA and the Internal Revenue Code, and governmental plans.

The purpose of the DOL regulations regarding the timing of depositing employee contributions (including deferrals) and payroll-deducted loan repayments into a qualified retirement plan trust is to ensure that the funds are being invested in the plans rather than remaining in the employer's general funds.

The DOL regulations contain a safe harbor period for remitting employee contributions and loan repayments for small retirement plans (plans with fewer than 100 participants at the beginning of the plan year). Under this safe harbor period, employee contributions and loan repayments to a small plan will be deemed to have been timely remitted if those amounts are deposited to the plan within seven business days after they were received or withheld by the employer. Of course, sponsors of small retirement plans may make deposits before the end of the seven day period.

The current deposit rules for large retirement plans (plans with 100 or more participants at the beginning of the plan year) state that the employer must transmit employee contributions and loan repayments to retirement plans as soon as they can reasonably be segregated from the general assets of the employer. The DOL has determined that in some instances, employee contributions and loan repayments can reasonably be segregated within two business days of receipt or withholding by employers.

If the employee plan withholdings are not remitted in a timely fashion, the employer is treated as having engaged in a prohibited transaction with respect to the late remittances and must pay an excise tax. The employer is also responsible for making up lost earnings due to late deposits.

Please view [Timing of contributions and Department of Labor rules](#) for additional information.

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Managing Beneficiary Designations

Life events such as death of a loved one, marriage (including same-gender marriages), divorce, or birth or adoption of children may require a change in beneficiary designations. It's a good idea to remind your participants to review their beneficiary designations periodically and make changes to ensure that designations align with their wishes. In addition, before you approve a distribution following the death of a participant, you may want to verify that there are no other parties that may claim rights to the benefit.

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Reporting Defaulted Loans

One of the responsibilities of sponsoring a plan that allows loans is to report loans that are in default. Examples of when a loan may be considered in default include, but are not limited to:

- Failure to make payment by the end of the repayment grace period.
- Failure to maintain an automatic after-tax payroll deduction repayment arrangement, except for approved leaves of absence (provided a leave of absence for reasons other than military service does not last longer than one year and the borrower is either without pay or is being paid at a rate of pay less than the amount of the repayment required by the loan during the duration of the leave).
- Termination of employment when the loan is not repaid in full.

After you report a loan default to us, we will:

1. Default the loan and show it as a "deemed distribution" if the terminated participant does not take a distribution.
2. Default the loan and "offset" the distribution for terminated participants who request a lump sum or rollover distribution.
3. Default the loan and show it as a "deemed distribution" for active participants not making loan repayments.

When loans are defaulted, an IRS Form 1099-R is issued to the participant for the balance of the loan including outstanding interest.

The monthly loan delinquency report that is created for your plan will reflect possible delinquent loans. This report shows:

- Name of Participant
- Social Security Number
- Loan ID
- Unpaid Balance
- Total Past Due

Please contact your plan manager if you have any questions.

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