

End of year thoughts...

This year's theme is "plan restatements." As discussed previously, the IRS makes us re-write ("restate") plans every 6 years. For most of our clients' plans, the deadline for the current round of restatements is April 30, 2016. We've begun the process and have done some earlier rather than later in order to incorporate desired changes. We've instituted an annual document fee to cover these and other required amendments, rather than billing for them when they are done, which simplifies things and, I think, reduces costs. We'll be sending a package with the usual "Sign here" stickers to make the process as easy as possible for you...sometime before April 30, 2016.

In the news of late are "after-tax contributions." These are contributions made by an employee to a retirement plan, not from pay but out of pocket. Earlier this year, the IRS issued a notice that made it easier to carve out the eventual distribution of after-tax contributions from other sources, opening up the possibility of converting them into Roth contributions, effectively side-stepping limits on Roth contributions. *Sounds great, let's do that, right?* Well, there are all kinds of problems with doing this in a small plan; for one thing, such contributions are subject to a non-discrimination test, for another, they are subject to the same overall limits as other contributions. Long story short, it's rarely going to work - maybe in a one-man plan (i.e. no other employees) where the owner is not already maximizing overall contributions. It's just a lot of hype with severely limited practical application, and we haven't seen a case where it would do anyone any good.

Congress continues to talk about various changes, but the practical effect on our clients' plans is minimal so far. They did just pass a law which permits multiemployer plans (generally, union plans), to reduce earned benefits, which is a pretty big deal - preserving accrued benefits has been a sacrosanct tenet of pension law ever since ERISA was passed in 1974, and it was passed largely to assure that earned benefits could not be reduced (!). These plans are in dire straits, and frankly I think they had to allow these cutbacks in order to save the system. It could have ripple effects for the (small) plans that we service, but my cynical nature says that we'll just have to do more calculations to assure "proper" funding without any practical impact.

Best wishes for a happy and healthy holiday season from all of us!

Ed Snyder

Annual update

1) The key limitation numbers for 2015 (and the old 2014 numbers) are:

	2014	2015
<i>Maximum annual benefit</i>	\$210,000	\$215,000
<i>Maximum annual contribution</i>	\$52,000	\$53,000
<i>Maximum 401(k) deferral</i>	\$17,500	\$18,000
<i>401(k) deferral catchup (over age 50)</i>	\$5,500	\$6,000
<i>Maximum SIMPLE deferral</i>	\$12,000	\$12,500
<i>SIMPLE catch-up (over age 50)</i>	\$2,500	\$3,000
<i>Maximum IRA contribution</i>	\$5,500	\$5,500
<i>IRA catch-up (over age 50)</i>	\$1,000	\$1,000
<i>Annual compensation limit</i>	\$260,000	\$265,000
<i>Social Security Wage Base</i>	\$117,000	\$118,500
<i>Medicare maximum</i>	Unlimited	Unlimited
<i>Comp. threshold for Highly Compensated Employees</i>	\$115,000	\$120,000
<i>Income (exclusion) threshold for SEPs</i>	\$550	\$600

2) Year-end reminders...

~ **Remember** to check the appropriate boxes on your W-2s for employees who are covered by your plans...this can sometimes get a bit tricky, especially for profit sharing plans which make contributions after the end of the year, so call if you're not sure.

~ **Remember**, when you get your 5500 tax return postcard from the DOL, you do **not** have to send it to us.

~ If you'd like to see a trial allocation of a profit sharing contribution, or estimated required contributions to a pension plan, **call or e-mail or fax us** an estimated census (names, compensations, dates of termination if applicable).

~ **Please** be sure to include all employees on your year-end census (for calendar year plans, we mail out blank forms in early January). We like to know about all part-time employees, even if you think they'll never enter the plan. If you have "leased employees" or work with "independent contractors", these individuals may have to be covered, or at least considered in certain coverage and participation tests. (Although true independent contractors are not employees, we sometimes run across a client or prospective client who says they have no employees, but then the phone is answered by someone else. If that someone else is paid hourly and works in your office, he or she is most likely an employee in the eyes of the Employee Benefits Security Agency and the IRS.) **Please call** if you have any questions about this area.

~Employee deferrals (401(k) contributions) must be deposited as soon as they can reasonably be segregated from your business assets. **Small plans (under 100 participants) have a safe harbor of 7 business days, and you simply must meet this safe harbor!** There is absolutely no reason not to make the deposits immediately after each payroll; if participants did not have deferrals withheld then you would have paid the money in their paychecks. If we know of late deposits, we will advise you to make up for lost earnings and charge for those calculations.

Employee deferrals (401(k) contributions) should generally be withheld from **all** pay (including bonuses). (For instance, if a participant has elected a 10% withholding rate, you should withhold 10% of bonuses as well as regular pay.) We have a handful of plans where this does not apply, so check with us if you're not sure.

~You should have a signed form on file for eligible participants who are not deferring to a 401(k) plan. We're getting hints that the IRS might think **you** should make contributions **for them** if they haven't properly elected not to contribute (!)

~In general, you **MUST** maintain a fidelity bond for the greater of 10% of plan assets or 100% of the assets that are not "Qualifying Plan Assets" (generally, "Qualifying Plan Assets" are assets held at a financial institution, and plan loans). Most of our clients' assets are "Qualifying Plan Assets", but you must nevertheless make sure that you maintain the appropriate bond! We look at this each year, but the minimum bond is supposed to be in place at the **beginning** of the year, and we might not recognize a deficiency until we do the review during the (next) year.

3) Terminated participants

Terminated participants are paid according to the terms of your plan document - in most cases, after the end of the plan year in which they terminate, or later. It's a good idea to remind these people, when they leave, that they have plan benefits and should keep you posted as to their whereabouts. (I know, they're the last ones you want to keep in touch with, but it saves some problems down the road. And no, you can't just hope they disappear and use their money for other participants!) We often have problems finding these "lost" participants, and as always, an ounce of prevention is worth a pound of cure.

4) 1099-R reporting and tax withholding

If your plan is on a self-directed platform, Form 1099-R distribution reporting will generally be handled by the investment custodian and you don't have to do anything. Otherwise, we will outsource that reporting for electronic filing...which means you don't have to do anything except file copies that will be sent to you! (However, if there was withholding during the year, you still have to file Form 945, which reconciles the deposits made during the year. We will prepare this form for you with filing instructions.)

If your plan is on a self-directed platform, tax withholding will generally be handled by the investment custodian and you don't have to do anything. Otherwise, we've been processing withholding through EFTPS (Electronic Federal Tax Payment System) as required under IRS rules - checks are payable to us for processing through our system. (Just follow our directions.)

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