Boyer & Ritter LLC

2025 Plan Updates &

Preparing For Your 401(k) Plan Audit and Common Audit Findings

Presented by Boyer & Ritter's Employee Benefit Plan Group

DURING THE PROGRAM

- All attendees' lines are muted
- Question board is available and monitored. Look for the Q&A icon on the webcast toolbar. The chat feature has been disabled.
- Slides and a recording of the webinar will be available.
- At the end of the webinar there will be a Q&A period. Any questions not answered will be accumulated and provided along with a copy of the slides.

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- 4 polling questions per hour (any answer counts)
- You must respond to 75% of the polling questions to receive credit
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Your Presenters

PROGRAM AGENDA

2025 Employee Benefit Plan Updates → Preparing for your 401k Plan audit → Common audit findings and ways to prevent them

2025 Employee Benefit Plan Updates

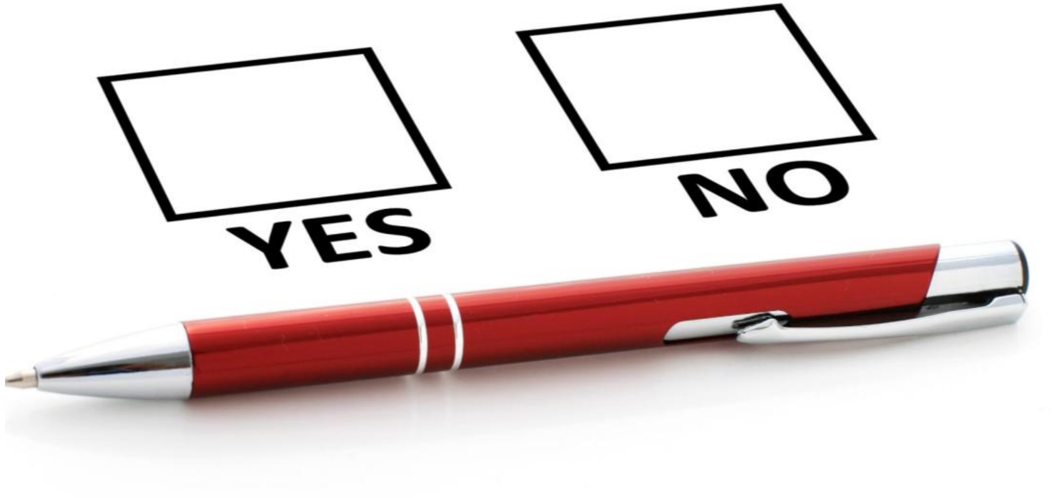
Presented by Boyer & Ritter's Employee Benefit Plan Group

Speaker Introduction

Kim Williams, CPA

- Principal with Boyer & Ritter
- Chair of the Employee Benefit Plan Services Group
- Over 25 Years Experience
- Audit, tax and consulting related to 401(k) Plans, Pension Plans, ESOP, & Health and Welfare Plans and 403 (b) Plans

Overview



- Review of 2025 Annual Benefit limits
- 2025 Mandatory and Optional Provisions under Secure Act 2.0
- Future mandatory and optional changes to consider

Annual Benefit Limits – 2025 and 2024

Contribution and Benefit Limits	2025 Limit	2024 Limit
Elective deferrals to 401(k), 403(b), 457(b) plans	$23,500	$23,000
Catch-up deferrals to 401(k), 403(b), 457(b) plans: Ages 50+	$7,500	$7,500
Catch-up deferrals to 401(k), 403(b), 457(b) plans: Ages 60-63	$11,250	n/a
Definition of highly compensated employee	$160,000	$155,000
Annual compensation limit for benefit purposes	$350,000	$345,000
Annual compensation limit for key employee determination	$230,000	$220,000
Maximum defined contribution plan annual contribution (Combined)	$70,800	$69,000
Maximum annual benefit from defined benefit pension plans	$280,000	$275,000
Individual Retirement Account Contributions plans		
Traditional, spousal, & Roth contribution limits	$7,000	$7,000
Catch-up contribution limit	$1,000	$1,000

Secure 2.0 Provisions for 2025

Secure 2.0 provisions for 2025:

- Automatic Enrollment for New Plans
- Eligibility for Long-Term Part-Time Employees
- Increased Catch-Up Contributions
- Retirement Savings Lost and Found Database

Automatic Enrollment (Mandatory)

SECURE 2.0 established new requirements for new 401(k) and 403(b) plans adopted after December 29, 2022. As of January 1, 2025, employers must automatically enroll eligible employees into these plans

- Initial rate must be between 3%-10%
- Automatic increase in contributions at 1% annually until minimum of 10% but not more than 15%
- Employees can opt out of automatic enrollment or automatic escalation at any time

Automatic Enrollment (Mandatory)

Exceptions to Automatic Enrollment

- Plans established before 12/29/2022
- Organizations in existence for less than 3 years
- Companies with less than 3 years of operations
- Organizations with less than 10 employees
- Church and governmental plans

Polling Question #1

What is a valid exception for automatic enrollment?

A. The organization has 25 employees
B. The organization has been operating for 5 years
C. The organization is a governmental plan

Eligibility for Long-Term Part-Time Employees (Mandatory)

The original SECURE Act required employers to include certain part-time employees in their 401(k) plans.

- Eligibility Criteria
  - Must complete 500 hours of service per year for at least three consecutive years
  - Must be 21 years or older by the end of the three-year period
  - The employee also would earn vesting credits for all years with at least 500 hours of service.

Eligibility for Long-Term Part-Time Employees (Mandatory)

- SECURE 2.0 reduces the three-year period to two years for plan years beginning after December 31, 2024. However, service performed before January 1, 2021, is disregarded for both eligibility and vesting purposes.

- SECURE 2.0 extends this rule to apply to 403(b) plans that are subject to ERISA

- The rule does not apply to union plans or defined benefit plans.

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Eligibility for Long-Term Part-Time Employees (Mandatory)

Commonly Asked Questions

- **Question**: Does this provision impact top heavy and non-discrimination testing?
- **Answer**: No. LTPT employees are excluded from this testing

- **Question**: Are Plan sponsors required to make employer contributions to LTPT employees eligible to participate?
- **Answer**: No. This provision applies to the eligibility to make elective deferrals and vest in employer contributions. Employer contributions requirements remain unchanged.

Increased Catch-Up Contributions (Optional)

Background: The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) first introduced catch-up contribution provisions as a way to help older workers increase retirement savings. Under EGTRRA, plan sponsors could voluntarily amend their plans to allow participants aged 50 and older to contribute additional amounts to their 401(k), 403(b), and 457(b) plans.

Increased Catch-Up Contributions (Optional)

SECURE 2.0 provide for increased Catch-Up Contributions for Ages 60-63 for taxable years beginning after December 31, 2024 (Optional)

- Participants aged 60 to 63 may make additional contributions of either (i) $11,250 or (ii) 150% of their 2024 contribution limit, as indexed for inflation after 2025.
- For all other employees, the limit will be catch-up of $7,500
- For SIMPLE IRA plans, before December 31, 2024, participants in SIMPLE IRA plans that allow catch-ups could contribute up to $3,500, as indexed. In 2025, such contributions rely on the participant's age (50 to 59, or age 64 or older on December 31, 2025) and the company's number of employees. Depending on these factors, a participant's contributions above regular deferrals can total between $3,850 and $5,250.

Employees Retirement Savings Lost and Found Database

SECURE 2.0 required the Employee Benefits Security Administration (EBSA) to provide a search tool or database of benefits.

- Creation of Retirement Savings Lost and Found Database
  - Helps individuals connect with their retirement plan benefits
  - Assists in locating plans holding their assets
- Voluntary Participation by Plan Administrators
  - Plan administrators can choose to submit data

Employees Retirement Savings Lost and Found Database

To use the database, an account through Login.gov is required.   You can use an existing Login.gov account, but additional information may be required. Information required:

- Driver's license or state ID
- Social Security Number
- Phone number match (verification code will be sent)
- Re-enter your login.gov password

Process takes approximately 5-10 minutes

DOL Enforcement Relief for Missing Participants

On January 14, 2025, Field Assistance Bulletin NO. 2025-01 was issued to provide relief for missing participant enforcement. Retirement plan fiduciaries now have an option to help manage small benefit amounts owed to individuals who cannot be located

Under the policy, the department will not take action under the fiduciary duty provisions of the ERISA against fiduciaries who transfer entire benefit payments owed to missing participants of $1,000 or less to state unclaimed property funds, if certain conditions are met.

To qualify for relief under the new policy, fiduciaries must meet the following conditions:

- The plan fiduciary determines that the transfer to a state unclaimed property fund is a prudent destination for the participant's or beneficiary's retirement benefit payments;

DOL Enforcement Relief for Missing Participants

- The plan fiduciary has implemented a prudent program to find missing participants consistent with the Department's Best Practices for Pension Plans, and nevertheless has been unable to locate the participant or beneficiary;

- The plan fiduciary selects the state unclaimed property fund offered by the state of the last known address of the participant or beneficiary;

- The plan's summary plan description explains that retirement benefit payments of missing participants or beneficiaries may be transferred to an eligible state fund and identifies the name, address, and phone number of a plan contact for further information concerning the eligible state funds to which the retirement benefit payments are transferred; and

- The state unclaimed property fund qualifies as an eligible state fund (see the bulletin for further details).

Polling Question #2

What is the maximum catch up contribution for a participant who is 64 years old in 2024?

A. $7,500
B. $10,000
C. $11,250

Optional Provisions on the Horizon

- Qualified Long-Term Care Distributions
  - Allowable distributions from a Plan to purchase long-term care insurance in amounts not to exceed $2500 (or if less, 10% of the vested account balance), adjusted for inflation

- Roth Only Catch-Up for High Earners
  - Secure Act 2.0 revision to catch up contributions requiring a Roth account contribution instead of a traditional tax deferred contribution for those over certain income thresholds.

Qualified Long-Term Care Distributions

- Plan participants may receive distributions of up to $2,500 per year to pay for qualified long-term care insurance without triggering the 10% early withdrawal penalty that might otherwise apply.
- This optional change for plan sponsors becomes effective for distributions made after December 29, 2025.

Roth Only Catch-Up for High Earners

Beginning in 2026, high earners with wages over $145,000 will need to make catch-up contributions to designated Roth accounts (no tax deduction)

Implementation Timeline

- Effective for tax years starting after December 31, 2025

Roth Only Catch-Up for High Earners – Additional Guidance

On January 10, 2025, the Department of the Treasury ("Treasury") and the Internal Revenue Service ("IRS") issued proposed regulations regarding the provisions of the SECURE 2.0 Act of 2022 ("SECURE 2.0") that relate to catch-up contributions. The following clarifications were made:

- The Roth mandate applies to 401(k), 403(b) and governmental 457(b) plans – but not to SIMPLE IRA plans.
- New proposed Treasury Regulation Section 1.414(v)-2(a) would provide that if, under a plan, any catch-up eligible participant who is subject to the mandatory Roth catch-up contribution provision is permitted to make Roth catch-up contributions for a plan year, then all catch-up eligible participants in the plan must be permitted to make Roth catch-up contributions for the plan year.

Roth Only Catch-Up for High Earners – Additional Guidance

- The requirement only applies to employees with “wages” from the employer in the preceding year that exceeds a dollar threshold. The IRS confirmed that “wages” means wages subject to FICA; that is, amounts reported on Box 3 (not Box 1) of W-2. The dollar threshold was $145,000 in 2023, but it will go up in future years based on inflation. The threshold on 2025 wages for determining required Roth catch-up contributions for 2026 (when the rule becomes effective) will not be available until the end of this year.

- An individual who did not have any FICA wages from the employer sponsoring the plan for the preceding calendar year would not be subject to the mandatory Roth catch-up requirement under the plan in the current year.

- The FICA wage threshold would not be prorated for an individual’s year of hire.

Roth Only Catch-Up for High Earners – Additional Guidance

- The look-back wage rule means that new employees, regardless of salary, will get a free pass in their first year of employment (because they have no wages the previous year from the new company). And, because the IRS says the dollar threshold is not pro-rated for the first year of employment, some highly-paid employees also will not be affected in their second year of employment.

- The proposed regulations would not require a plan to include a qualified Roth contribution program. However, if a plan does not include a qualified Roth contribution program, then new proposed Treasury Regulation Section 1.414(v)-2(b) would provide that a participant who is subject to the mandatory Roth catch-up provision cannot make any catch-up contributions under the plan. This means that plans that do not include a qualified Roth contribution program will nonetheless be required to track which participants are subject to the mandatory Roth catch-up provision.

Roth Only Catch-Up for High Earners – Additional Guidance

Proposed regulation does provide methods to correct any failures in applying the Roth catch-up provision.

- W-2 correction method
- In-Plan Roth rollover correction method

Upcoming Mandatory Items

- Defined Contributions Plans
  - Must deliver 1 paper benefit statement per year
- Defined Benefit Plans
  - 1 paper statement every 3 years
- Electronic Delivery Exception
  - Unless employee affirmatively requested electronic delivery
- Effective Date
  - Plan years beginning after 12/31/25

Plan Amendment Timeline

- The deadline for amending retirement plans to comply with the SECURE 2.0 changes was extended late last year. Most retirement plans now have until December 31, 2026, to amend (collectively-bargained plans have until December 31, 2028, and governmental plans have until December 31, 2029).

- This does not affect the deadline by which provisions must be administratively implemented, but does give plan sponsors additional time to amend their plan documents.

Retirement Plan Audit Preparation

Ensuring Audit Understanding & Success

Presented by: Kailee Hirschbock, Manager

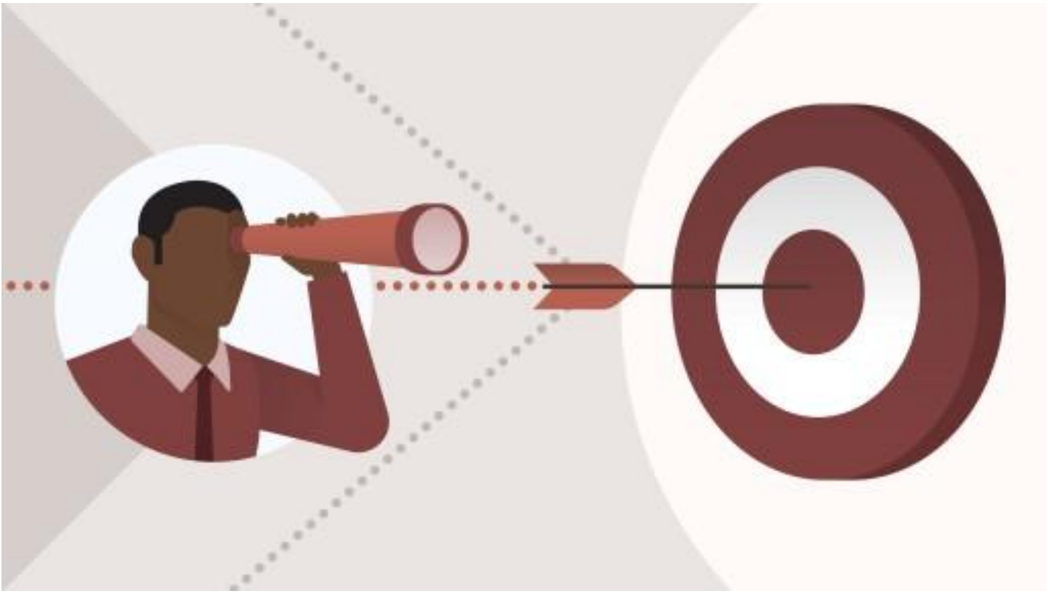
Speaker Introduction

Kailee Hirschbock

- Manager in Boyer & Ritter's
  Employee Benefit Services Group
- 7+ Years Experience
- Audits of 401(k), Pensions, & Health
  and Welfare Plans

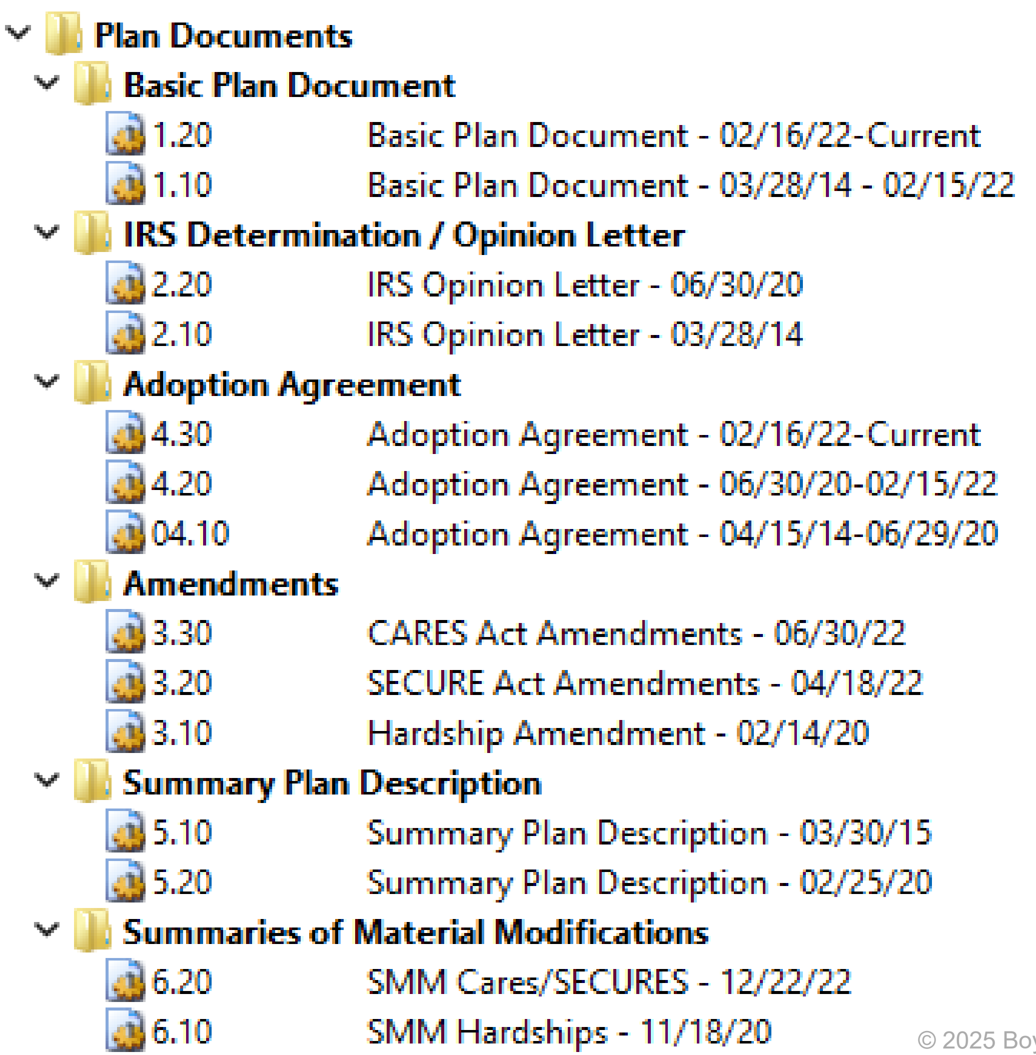
Areas of Focus

- Plan Documents
- Responsibilities of Plan Management
- After the Audit



Documents should be…

- Complete & Accurate
- Easily Accessible
- Well-organized
- Up to Date
- In agreement with plan operations



Audit Planning Items

- Prepare and provide a plan census
- Provide auditor access to TPA website
- Inform auditor of any plan changes or significant items

Maintaining Participant Records

- DOB / DOH / DOT support
  - I-9, Offer Letter/onboarding documentation, termination notice
- Payroll record & approved pay rates
- Information from source documents should tie to plan census

Maintaining Participant Records

- Enrollment / Opt-Out Forms
- Beneficiary Designation Forms
- Loan Request Forms
- Distribution Request Forms
  - Maintain hardship support if applicable

More is More…

- Keep support for plan activities throughout the year
- Emails from employees
- Correspondence/communication with third party administrators
- Discovery of plan errors and any corresponding action taken
- Meeting minutes/management communications over any plan decisions

Retaining Records

There are two specific ERISA laws that come into consideration with regard to record retention:

1. Section 107 of ERISA requires plans to maintain documentation and records to verify or explain information in your filings from the date filed for up to **six years**

2. Section 209 of ERISA requires plans to maintain records specifically related to determining eligibility and/or participant benefits **indefinitely**, or at least until the benefit calculation and eligibility determination will not be needed.

Polling Question #3

Which of the following is NOT considered a source document to verify employee's date of birth

A. Employee's I-9
B. Screenshot of employee profile with date of birth from the HRIS system
C. Photocopy of employee's drivers license
D. All are source documents

Action Items

Maintain plan documents in a secure, centralized location

Organize documents and retain according to ERISA laws

Know the provisions detailed in your plan documents and ensure these are followed

Plan Management Responsibilities

- Make plan decisions in the best interest of employees
- Ensure accuracy in reporting and plan financials
- Review plan providers and ensure they are meeting expectations
- Review plan investments and fees
- Maintain fidelity bond coverage for the plan
- Ensure proper processes and controls are in place

After the Audit

- Form 5500 Filing

If reportable findings were noted:

- Review auditor correspondence over findings
- If corrective action is required, make these as soon as possible
- Review and strengthen internal process and controls

- **Stay Organized**: Set up a system to ensure plan documents are easily accessible and up to date.
- **Know Your Plan:** Have a strong understanding of plan provisions
- **Be Proactive:** Share concerns early. Regularly review plan for compliance and accuracy.
- **Strengthen Internal Controls:** Put policies and procedures in place to ensure compliance
- **Collaborate**: When in doubt, reach out!

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Common EBP Audit Findings and Ways to Prevent Them

Presented by: Jaime Onk, Manager

Speaker Introduction

Jaime Onk

- Manager in Boyer & Ritter’s Employee Benefit Services Group
- Over 20 Years Experience
- Audits of 401(k), Pension, & Health and Welfare Plans

Overview

- Audit Process
- Common EBP Audit Findings and Prevention Strategies
- 2025 Updates for Error Corrections

Independent EBP Audit Process

- Understand Internal Controls and Operating Policies
- Testing the Financial Statements
- Testing Compliance with Plan Document Provisions

Types of EBP Audit Findings

- Financial Statement Misstatements
- Internal Control Deficiencies
- Errors in Plan Design or Operation

Common EBP Audit Areas for Findings

1. Document Retention
2. Plan Documents and Amendments
3. Documentation of Fiduciary Duties
4. Remittance of Participant Contributions
5. Definition of Eligible Compensation
6. Vesting
7. Addressing Discrimination Testing Failures
8. Employee Census Data

1. Insufficient Document Retention

Common Finding: Missing or Outdated Employee File Documentation

- Critical to retain documentation like I-9 Forms and enrollment/opt-out forms
- Ensures **proper determination of plan eligibility** and **compliance with DOL regulations for record retention**

Prevention Strategies:

- Regularly review employee files to ensure information is complete, current, and accurate
- Identify and complete missing information
- Review policies and procedures for tracking enrollment/opt-out elections

2. Inadequate Plan Documents and Amendments

Common Finding: Plan Documents are incomplete and/or amendments are not done timely

- ERISA Record-Keeping Requirements
  - Adoption Agreement and Basic Plan Document
  - Summary Plan Description (SPD)
  - Executed amendments

- **Compliance violations may result from failure to maintain adequate and up-to-date plan documents or the Plan not operating in accordance with the plan documents**

2. Inadequate Plan Documents and Amendments (continued)

Prevention Strategies:

- Conduct regular reviews of plan documents to ensure plan document files are up to date
- Discuss with TPAs
- **Ensure those involved in the day-to-day operation of the Plan have access to the Plan documents**

3. Inadequate Documentation of Fiduciary Duties

Common Finding: Lack of oversight and/or documentation of fiduciary duties

- Fiduciary Responsibility
  - Plan administrators have a fiduciary duty to participants
  - Primary responsibility is to act in the interest of participants and beneficiaries
  - Exclusive purpose is providing benefits and paying plan expenses
- **No formal documentation of decisions made relating to the Plan**

3. Inadequate Documentation of Fiduciary Duties (continued)

Prevention Strategies:

- Plan management should meet regularly to discuss the Plan
- Meetings should be documented
- **Maintain records of all matters discussed or decisions made pertaining to the Plan**

4. Late Remittance of Participant Contributions

Late Remittance of Participant Contributions is one of the most common audit findings.

- 7-day safe harbor option for small plans; does not apply to large plans
- Employee 401(k) deferrals and loan repayments must be **deposited as soon as can be reasonably segregated** from employer's general assets
- Deposits that exceed the time period the DOL considers timely may be considered late and a prohibited transaction

4. Late Remittance of Participant Contributions (continued)

Prevention Strategies:

- Establish a **Clear Remittance Policy**
  - Determine the earliest date for segregating deferral deposits
  - Work with your payroll provider

- Ensure Timely Deposits
  - Put procedures in place
  - Have a **secondary person trained to perform remittance**

Polling Question #4

What do you most look forward to watching on Super Bowl Sunday?

A. The game
B. The commercials
C. The halftime show

5. Compensation Definition Errors

Common Finding: Compensation definition errors

- Using **incorrect definition of eligible compensation**
  - Deferrals made on earnings codes that is excluded from compensation per the plan document (ex. auto allowance)
- Leads to incorrect employee and employer contributions and could impact compliance testing

5. Compensation Definition Errors (continued)

Prevention Strategies:

- Understand compensation definition per plan document
- Clarify what is **included and excluded** from eligible compensation
- Conduct regular trainings for HR and payroll teams
- Provide 401(k) and payroll providers with necessary compensation information

6. Inaccurate Calculation of the Vesting Period

Common Finding: Inaccurate calculation of vested service

- Importance of Accurate Service Records
  - Ensures **correct benefit amounts upon leaving the Plan**
  - Vesting schedules rely on accurate 'years of service’
- Maintaining Up-to-Date Employee Records
  - Essential for assigning correct vesting percentage

6. Inaccurate Calculation of the Vesting Period (continued)

Prevention Strategies:

- Review plan documents and employee data
- Verify vesting service credits
- Review participant's vesting percentage before approving withdrawals

7. Failure to Address Discrimination Testing Failures

Common Finding: Discrimination Testing Failures are not addressed

- Importance of Discrimination Testing
  - Ensures highly compensated employees do not disproportionately benefit
  - Maintains compliance with the Plan document

- Consequences of Failure
  - Plan will not be in compliance

7. Failure to Address Discrimination Testing Failures (continued)

Prevention Strategies:

- Consult with third party service provider for corrections required to be made
- Regularly monitor employee participation rates
- Identify and address potential failures timely

8. Inaccurate or Incomplete Employee Census Data

Common finding: Inaccurate or incomplete employee census data

- Employee Census Report
  - Listing of all employees during the Plan year
  - Includes all wages and contributions
  - Starting point for most audit procedures
  - Used for annual compliance testing

8. Inaccurate or Incomplete Employee Census Data (continued)

Prevention Strategies:

- Perform regular **reconciliations and reviews**
  - Reconcile wages and contributions to payroll system
- Ensure employee information is current and accurate prior to providing to auditors and TPA

Voluntary Fiduciary Correction Program (VFCP)

- Designed to encourage correction of fiduciary breaches and compliance with the law without DOL civil enforcement actions and civil penalties if **eligible transactions are voluntarily corrected** in a manner that meets the requirements of the VFCP.

- **Updated VFCP published by DOL on January 15, 2025**
  - Add self-correction for delinquent transmittal of participant contributions and loan repayments under certain circumstances
  - Add self-correction feature for certain participant loan failures self-corrected under the IRS's Employee Plans Compliance Resolution System (EPCRS)
  - Clarify existing transactions eligible for correction
  - Expand scope of other transactions currently eligible
  - Simplify certain administrative or procedural requirements

Penalties and Fines

DOL Issued 2025 Adjusted Penalty Amounts for wide range of benefit-related violations

- Ex. Maximum penalty for failing to file Form 5500 increases from \$2,670 to \$2,739 **per day** that the filing is late

- Ex. For plans with automatic contribution arrangements (auto-enrollment) penalties for failing to preview the required ERISA notice to participants increases from \$2,112 to \$2,167 **per day**

In Summary

Be aware of areas where findings are most commonly identified during the EBP audit

Understand what strategies can be implemented to prevent these common findings

Address identified errors timely

- Refer to auditor communication for recommended corrections and improvements
- Work with service providers for timely corrections

Questions?

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