

Top 10 Action Items

A plan sponsor must proactively establish its own internal controls to improve communication and compliance.

Hiring a service provider does not relieve a plan sponsor from the responsibility of keeping their 401(k) plan in compliance. This checklist will help you get started.

1 Review all plan document files to locate signed and dated copies of all plan documents. If documents are missing, talk to service providers, legal counsel, record keepers, etc. to locate copies.

2 Create a system for maintaining and storing all plan related documents and keeping the collection up to date. Include plan documents, any IRS approval letters or compliance statements, summary plan descriptions, Form 5500 filings, nondiscrimination testing records, and any resolutions regarding the plan (including actions taken to amend the plan, exercise discretion under the plan terms, and appoint trustees, committee members, etc.).

3 Locate (or create, if needed) separate policies and procedures established for plan administration, such as loan procedures and qualified domestic relations order procedures, and maintain them with plan documents.

4 Review plan terms regarding participation requirements and categories of employees which are included or excluded, and confirm that eligibility service is being accurately determined and all eligible employees are being timely included in the plan.

5 Compare salary deferral elections with the amounts deducted from employees' wages, and confirm salary deferrals are being deposited immediately after they can be segregated from general assets.

6 Review plan document to determine what compensation is used for each purpose (such as deferrals, allocations, and testing) and what payroll items are included in each definition of compensation; then, follow up with payroll to make sure the appropriate compensation items are being included for each purpose under the plan and any required compensation limits are being applied.

7 Review contribution formulas in plan document and confirm contributions are being calculated correctly, including correct calculation of any contribution caps required under the plan terms or to comply with legal limits on annual contributions.

8 Ask your recordkeeper if there are unallocated forfeitures from previous years in the trust. If there are unallocated forfeitures in the trust, review plan to determine how the unallocated forfeitures may be used, and use them as soon as possible.

9 Review plan terms regarding vesting and distributions to confirm that vesting service is being accurately determined, any required minimum distributions are being made, and distribution options are being administered correctly (including verification of marital status and receipt of spousal consent to the extent required by the plan).

10 Review service agreements and other plan administration procedures to ensure the plan complies with the law in both form and operation, and communicate regularly with service providers regarding any action which requires direction by plan sponsor.

Note: Make sure to document all actions taken to establish these and other internal controls for your 401(k) plan. If errors are discovered, take prompt action to correct them and adjust your internal controls.