

Frequently Asked Questions

The following is a list of frequently asked questions which outlines typical duties. Our intent is to create the best possible retirement program for you and your employees.

1. Who is the Plan Sponsor?

The plan sponsor is the company or business owner who sponsors the qualified retirement plan.

2. Who is the Plan Administrator?

The plan administrator is usually the plan sponsor and is responsible for the plan.

3. What is a Third Party Administrator?

A third party administrator is a firm like Qualified Pension Services, Inc. (QPS) who is hired by the plan sponsor to help ensure that the qualified retirement plan is kept in both written and operational compliance.

4. Who is the Financial Advisor?

The financial advisor is the Investment Professional who is hired by the plan sponsor to provide enrollment assistance and information related to investment options available in the plan.

5. Who is the Funding Company?

The funding company is the actual investment carrier who holds the retirement plan accounts and may provide recordkeeping services.

Please Note: Qualified Pension Services, Inc. (QPS) is never the “Plan Administrator” or Trustee for its clients’ plans. QPS acts as a “Third Party Administrator (TPA)” for its clients’ plans. QPS has no discretionary authority or control over their clients’ plans and does not act in a fiduciary capacity.

6. When should 401(k) Employee Deferrals be deposited into the retirement plan trust?

The regulations state that monies withheld from wages for contribution to the plan become plan assets as of the earliest date the employer can *reasonably* segregate the contributions from the employer’s general assets. In some extreme situations—such as multiple payroll centers that must be coordinated for a single deposit—the “maximum time period” rules may define the date deferrals become plan assets as late as the 15th business day of the month following the deferral. (Few, if any, of our clients would qualify for the maximum time period rules.)

In most cases deferrals withheld from employee paychecks must be deposited no later than the 7th *business* day following the time such money is withheld.

Failure to transmit deferrals on a timely basis constitutes both a breach of fiduciary duty and a prohibited transaction. A breach of fiduciary duty creates a potential for legal action by a participant or the DOL; a prohibited transaction subjects the employer to a 15% excise tax and potential penalties. These are serious consequences that should be avoided by following the proper deposit timing regulations.

7. What is a Fiduciary?

- a. Any person or entity that exercises discretionary authority or control over management of the plan and disposition of its assets.
- b. Any person or entity that renders investment advice for a fee.
- c. Any person or entity that has discretionary authority or responsibility over the administration of the plan.

8. What is a Trustee?

A plan trustee is usually the person or group of persons recognized as having exclusive authority and discretion over the management and control of plan assets.

Frequently Asked Questions

9. What are Fiduciary Responsibilities?

- a. To perform duties solely in the interest of the plan participants and beneficiaries
- b. Carrying out all duties with care, skill, prudence and diligence that a prudent person would use

A. Plan Compliance:

1. Understanding the terms of the plan and keeping proper plan documentation
2. Maintaining operational compliance within current tax laws
3. Maintaining tax deductibility
4. Providing benefit determination
5. Avoiding prohibited transactions
6. Making *timely* contributions to fund benefits
7. Obtaining required Fidelity Bond coverage (required unless you are a sole-proprietor)
8. Making timely disclosures to workers and their beneficiaries; and
9. Completing and filing required tax forms and reports to the government

B. Investment Policies and Procedures:

1. Selecting and monitoring service providers carefully
2. Evaluating plan investment needs based on demographics of the work force
3. Creating an Investment Policy Statement with the help of your Financial Advisor
4. Comparing and selecting investments and investment providers
5. Monitoring investments and investment providers
6. Documenting periodic investment reviews (at least annually)

10. What is the role of our Third Party Administrator?

QPS is responsible for designing retirement plans for business owners and helping those plan sponsors maintain operational compliance with the Internal Revenue Service and the Department of Labor. QPS is here to help plan sponsors run their retirement plans in an efficient manner. QPS keeps plan sponsors informed of the latest pension laws that affect their plans. We also provide ongoing support to business owners or human resource personnel by providing a high level of professional service.

11. What is the role of our Financial Advisor?

The financial advisor is generally the main point of contact for all investment related questions that the employer or participants might have. Their role is to educate and guide plan participants. Third party administrators and financial advisors work together as a team to ensure the plan operates in an efficient manner.

12. What do I need to provide to a new participant?

In accordance with the plan document, a determination must be made as to who is eligible to participate in the plan. The plan's eligibility standards are also specified in the Summary Plan Description. It is important to maintain a complete list of current employees, their dates of birth, hire and years of service.

During the plan year, you should monitor your list of employees to determine if anyone has met the requirements to become a participant. It is important to note that if any employee is rehired and previously met your plan's eligibility requirements, that employee generally begins participation immediately upon their reemployment date. QPS will help you with this task by reviewing your employee census data at the end of each plan year.

A. Once an employee becomes eligible to participate, it is your responsibility to:

1. Inform them that they are now eligible to participate in the plan, preferably a few weeks or so in advance.
2. Have the employee complete Enrollment and Beneficiary Designation forms as applicable.
3. Give the new participant a copy of the most recent Summary Plan Description within 90 days of eligibility.
4. Distribute any required notices depending on your plan provisions and investment arrangements.

If you transmit contributions online you will need to set up new employees in order to contribute for them. Plan sponsors are also responsible for maintaining current addresses and correct employment status records online.

Frequently Asked Questions

13. Where can I get a copy of our Summary Plan Description?

If QPS prepared the document it will be under Enrollment Instructions located on our secure pension portal. We also email a copy of the Enrollment Instructions to our plan sponsors so they have everything they need to distribute when someone becomes eligible to participate in the plan. If you can not locate your latest version, please contact QPS and we will forward another copy to you.

14. What do I do when someone asks for an In-Service Distribution or they terminate?

Distribution of benefits can occur for a variety of reasons and are governed by your specific plan document. A variety of distribution forms may be found on your fund company website and QPS has generic forms available on our website homepage under Forms: 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. 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.

15. Can IRA funds or funds from a previous retirement plan be rolled into a qualified plan?

- Yes in most cases, if your plan allows for rollovers. Roth deferral rollovers can only be accepted if your plan allows for Roth deferrals. Rollovers must be initiated by the plan participant. They will need to contact their current rollover institution to obtain the rollover forms. Please contact your plan consultant at QPS to determine the appropriate steps required by your plan.

16. What happens to the non-vested portions of terminated participant benefits?

The non-vested portion becomes a forfeiture at the time of distribution or at the end of the plan year depending on your plan document. Please check your plan specification sheet to determine when forfeitures occur in your plan. Forfeitures can be used to pay administrative expenses, to offset employer contributions or they may be reallocated to existing participants.

17. What information am I required to provide to you and why?

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 your case administrator to prepare the requisite items on a timely basis.

In order to complete the required compliance tests and tax returns, QPS will request employee census data. Though your plan may have valuations during the course of the year, i.e. quarterly, semiannually or daily, the 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 will send you an Annual Data Request packet just prior to your plan year end. The following items are included in that packet:

1. An **Annual Questionnaire**. This form asks specific ownership questions and also allows plan sponsors to list employer contributions or request QPS to run various employer contribution scenarios.
2. A **Census Request** – QPS will send you an actual census file that lists historical employee information and requests current plan year information. We require employee social security numbers, full names, dates of birth, hire, employment status, plan year hours worked, compensation, employee deferrals and amounts of any deposited employer contributions.

Frequently Asked Questions

18. How quickly can you help us with our employer profit sharing contribution figures?

QPS strives to calculate plan sponsor contribution amounts as quickly and efficiently as possible. Please note that QPS operates on a first come first serve basis. With the electronic era we are very quickly overwhelmed with requests so we urge plan sponsors to submit accurate census data as soon as possible.

19. When must an Employer Contribution be deposited?

By the due date, including extensions, of the business tax return.

20. When is my annual Form 5500 due?

Your annual plan tax return must be postmarked by the last day of the 7th month following the close of your plan year. An extension of 2½ months may be filed if necessary.

21. What is the Pension Portal?

QPS maintains a secure pension portal for our clients and advisors. This portal is used for the secure transmission and storage of plan documents, payroll reports, annual valuations as well as the electronic filing of your plan tax return form 5500.