

Benefits in Brief

News and Insights for HR Executives, CFOs and Professional Administrators

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Participant Communications Shifting to An Outcomes-Focused Communication Plan

ERISA requires sponsors of employee benefit plans to send participants a wide range of different types of disclosures. These communications provide participants with comprehensive financial information about the plan, as well as event-based information.

Among these disclosures are a Summary Plan Description (SPD), Summary of Material Modification (SMM), Summary Annual Report (SAR) and Summary of Benefits and Coverage (SBC). Sponsors also must provide certain documents requested in writing by participants, such as the latest Form 5500.

Typically, third-party administrators handle the logistics of sending out these and other employee benefit plan disclosures. But this doesn't relieve you as the plan fiduciary from responsibility for understanding disclosure requirements and making sure they are met.

Positive Retirement Outcomes

In addition to ERISA-required disclosures, sponsors also send a variety of other communications to plan participants. Many of these communications are focused on various aspects of plan processes, such as how to enroll in the plan, how to make investment selections and other plan mechanics.

Forward-looking sponsors are taking their participant communica-



tions a step further by focusing on how participants can achieve positive retirement outcomes. These types of communication plans discuss such issues as:

- The projected outcomes of retirement savings strategies and behaviors,
- Future monthly retirement income amounts,
- The spending power of such amounts during retirement when inflation is factored in, and
- Successful retirement lifestyles.

The idea behind these kinds of communications is to help participants get a glimpse of what retirement could actually look like for them one day. By envisioning this, participants often tend to be more actively involved in planning — and sticking to — successful retirement saving strategies.

Relating to Retirement

Such an outcomes-focused participant communication plan helps participants better relate to retirement, which can be a vague concept for many people, by showing them the “rest of the story,” so to speak.

One of the best ways to accomplish this is to feature retirement saving success stories in your communications. When participants can see that real people just like themselves have met their retirement savings goals, it can give them some extra motivation to stick with their long-term savings plan.

Outcomes-focused communications should also be positive, optimistic and action-oriented while reinforcing successful savings behaviors. These typically include things like increasing contribution amounts regularly, making extra contributions whenever pos-

Continued on page 3

2
Reexamine Your
Payroll Controls

3
Benefit Plan
Audit Q&A

4
Hiring Professional
Investment Help

Is Your Payroll Data Accurate and Secure?

Data accuracy is crucial when managing employee benefit and retirement plans. Errors and mistakes can lead to inaccurate deferral amounts, delayed enrollment dates and incorrect calculation of eligible compensation, to name just a few problems.

Much of the data that's used to manage retirement plans originates with your company's payroll. Therefore, it's critical to ensure that complete and accurate payroll records are maintained internally and that proper controls are in place to ensure the security of this data.

You should also ensure that this information and any changes to it are communicated to your payroll processor in a timely manner. Finally, make sure that all plan provisions have also been communicated to the payroll processor.

Maintain Comprehensive Personnel Files

A complete file should be prepared for all new employees, and current and complete personnel files with data for all employees should be kept in one area. The following items should be included in each employee's personnel file and maintained by an individual who does not have payroll preparation responsibilities:

- Signed and dated employment application
- Form I-9 Employment Eligibility Verification
- Date of hire
- Approved pay rate (updated as changes occur)
- Signed W-4 form
- Insurance and other benefits election forms
- Beneficiary designation form
- Employee's current address and phone number
- Next of kin's or other emergency contact's name, address and current daytime phone number
- Employee evaluations
- Benefit election forms for terminated or retired employees



Take a Deep Dive

Following are a few more key areas to examine as part of your deep dive into payroll controls:

Participant data is recorded in a proper and timely manner:

- Participant forms (such as enrollment, rollover and deferral election forms) should be controlled and maintained for future reference.
- The number of plan participants should be reconciled using enrollment forms and census data.
- Timely auto-enrollment of employees should be monitored using census data.
- Participant demographic data and deferral elections should be updated and reconciled to your company's personnel and payroll records.

Contributions are remitted at the appropriate amount, and in the appropriate period, on a timely basis:

- Employer payroll records should be compared with contribution calculations.

- Clerical accuracy of contribution remittance schedules should be checked.
- Contribution remittance schedules should be reconciled to the cash receipts ledger and bank deposits.
- Control totals for participant and employer contributions should be maintained.
- Participant contributions should be remitted to the trust within DOL regulatory guidelines.

It's also important to make sure everyone is on the same page with regard to the plan's definition of eligible compensation. This is an area where errors commonly occur — for example, if the CFO changes the definition on the plan document but doesn't tell the payroll processing department.

Avoid Problems Later

Don't let payroll errors cause problems with your employee benefit and retirement plans. Make plans now to conduct a thorough review of your payroll controls.

More Payroll Controls

Here are a few more payroll controls to examine in your review:

Check W-2 forms. The totals (by form and aggregately) should be traced to payroll records by an employee with no other payroll responsibilities.

Segregate payroll duties. The employee who prepares payroll should not also distribute paychecks or prepare direct deposit, reconcile

the payroll bank account or have other personnel duties.

Reconcile payroll information more frequently. Reconciliation and preparation of payroll data submitted to the pension administrator for calculation of required sponsor contributions should be performed on at least an annual basis, or more often if contributions are made throughout the year.

Benefit Plan Audits

Answering Some Common Questions

Sponsors of employee benefit plans often have questions about many aspects of benefit plan audits. Here are a few of the most common plan audit questions and answers:

Q: What is the purpose of an employee benefit plan audit?

A: An audit provides insight into the plan sponsor's control environment, which may uncover operational errors or prohibited transactions. This, in turn, may result in plan remediation and corrections. Plan sponsors can also use audit results to strengthen internal controls, improve processes and fulfill their fiduciary compliance responsibilities.

Q: What do auditors generally look at when auditing an employee benefit plan?

A: Using their knowledge of the plan's nature and control environment, auditors will examine such areas as participant data; employee and employer plan contributions; plan distributions and participant loans; plan expenses, investments and income; the valuation of plan assets; and the timeliness of plan contributions, among other factors.

Q: Does our plan have to be audited?

A: It depends on whether your plan is a "large" or a "small" plan. If there are at least 100 eligible participants, your plan is considered to be a large plan and thus subject to ERISA annual audit requirements. Specifically, you must file Schedule H with your Form 5500 annual report — and Schedule H requires the attachment of an auditor's report.

However, if there are fewer than 100 eligible participants, your plan is considered to be a small plan and is not subject to ERISA annual audit requirements. You still must file Schedule I along with your Form 5500, but this schedule does not require the attachment of an auditor's report.

Q: What is a limited scope audit?

A: This is a less-extensive audit in which the auditor may rely on the

certification of an institutional asset trustee or custodian to limit the scope of testing on any investment information.

A limited scope audit reduces the amount of audit testing and work required on behalf of plan management to complete the audit, which generally makes it less expensive. Note that limited scope audits can only be applied to investment information, not other audit areas like participant data, contributions or distributions.

Q: When must an audit be completed?

The audit report is subject to the same filing deadlines as Form 5500, which is due seven months after the last day of the plan year, or July 31 for calendar year-end plans. It may be extended for an additional 2½ months, or Oct. 15 for calendar year-end plans.

Q: What can we do to best prepare for an audit?

A: Consider taking such steps as preparing a complete and accurate census report for your third-party administrator, reviewing plan performance and reconciling financial reports to underlying payroll and accounting records, identifying and correcting plan operational and compliance errors, and providing your third-party administrator and auditor with all DOL and IRS plan correspondence as soon as you receive it.

Please contact us if you have more questions about employee benefit plan audits.



Participant Communications

Continued from page 1

sible, and staying invested even in the midst of market volatility.

In addition, your communications should encourage participants to meet with a financial advisor regularly to review their account balance and progress toward their retirement savings goals. This is similar to an annual health checkup where a physician checks vital signs such as your blood pressure, cholesterol level and heart rate.

These kinds of regular (such as annual) retirement plan checkups help participants spot potential obstacles that could hinder progress toward their goals and make course corrections to keep their plans on track.

Multiple Communication Platforms

Plan participants today consume content across a wide range of different types of media, including print, online and mobile platforms. So as you design your participant communication plan, be sure to take advantage of all the different communication channels available to you.

For example, publish outcomes-focused materials in your employee newsletters (both print and electronic), on your company intranet and in materials distributed to participants for consumption via smartphone or tablet.

Win-Win Communications

Shifting from process-based to outcomes-focused participant communications can be beneficial to both your company and your employees. Talk to your senior managers and third-party administrator about what an outcomes-focused participant communication program might look like at your organization.

Call us to discuss your participant communication programs in more detail.

Three Options for Hiring Professional Investment Help

Companies that sponsor qualified retirement plans have a fiduciary duty to prudently select and monitor the investment options offered in their plan. Failure to meet this fiduciary standard can expose plan sponsors to costly litigation in which they could face personal liability.

As a retirement plan fiduciary, you are held to what's referred to as the "prudent expert" standard. According to ERISA, this means you must act "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use."

According to this standard, a plan sponsor must be more than a prudent

layperson — a sponsor must be a prudent investment *professional*. If no one on your staff would meet this criteria, you might consider hiring an outside expert to help you make prudent investment selection decisions.

There are three main types of investment experts from which to choose:

1. A consultant — Hiring a consultant helps reduce fiduciary liability by demonstrating that you have taken an extra step to try to ensure that prudent investment decisions are made. However, the consultant will assume no fiduciary liability, which resides solely with you as the plan sponsor.

2. An ERISA 3(21) investment advisor — This professional would

assume co-fiduciary liability along with your business by delivering prudent investment advice consistent with ERISA fiduciary standards. Since you would retain final decision-making authority over plan assets, you would still have fiduciary liability.

3. An ERISA 3(38) investment manager — This professional would assume sole fiduciary liability for selecting and monitoring plan investment options, thus offering the highest level of liability protection for you as a plan sponsor. You would only be held liable for selecting and monitoring the investment manager.

Contact us if you have more questions about your fiduciary duty as a plan sponsor.



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