

Annual Reporting and Review

As Plan Administrator 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 you to file the necessary forms on a timely basis. Substantial penalties may be incurred if the Plan fails to file complete and accurate reports by the applicable deadline.

The following records must be kept on an annual basis:

1. A list of current employees and Participants that shows:
 - a. Date of birth
 - b. Date of original hire
 - c. Marital status
2. Hours worked by each employee;
3. Each employee's compensation;
4. Dates of termination of employment and all dates of re-hire; and
5. Records of the Plan's investment activities.

Generally, your TPA will perform an annual review of the plan and provide an annual valuation report.

For a Defined Contribution (DC) plan, annual reviews are essential to ensure that the plan remains effective, compliant, and aligned with members' long-term retirement goals. Below are key areas that need to be reviewed on an annual basis:

Contribution Levels

- **Contributions:** Ensure that both employer and employee contributions are consistent with the payroll reports and plan document and remitted timely and correctly.
- **Government Limits:** Check if contributions are within the allowable limits set by the tax authorities, especially in relation to annual contribution caps and tax-advantage limits.
- **Automatic Escalation:** For plans that include automatic annual increases in contributions, the plan should verify that these increases have been implemented correctly.

Plan Costs and Fees

- **Administrative Fees:** Review the costs associated with running the plan, including administrative fees, investment management fees, and any other charges. Evaluate if these fees are reasonable compared to industry standards.
- **Fee Transparency:** Ensure that all fees are clearly communicated to plan participants, as high fees can erode investment returns over time.

Plan Design and Features

- **Contribution Options:** Review whether the plan allows for a range of flexible contribution options (e.g., pre-tax and Roth deferrals, employer contributions) and whether these features are still beneficial for plan participants.
- **Withdrawal and Distribution Rules:** Ensure that the plan's withdrawal options and distribution rules are still aligned with the needs and preferences of participants.

Compliance with Regulations

- **Legal and Regulatory Updates:** Stay updated on any changes to pension laws and regulations that may affect the plan. This includes changes to contribution limits, retirement age, tax treatment, and reporting requirements.
- **Fiduciary Responsibilities:** Ensure the plan fiduciaries are meeting their duties under the law, including acting in the best interest of the participants and monitoring plan performance.
- **Tax-Advantaged Status:** Verify that the plan remains compliant with tax rules, ensuring that the tax advantages of the DC plan continue to be maintained.

Member Communication and Education

- **Participant Statements:** Review the clarity and accuracy of annual statements sent to plan participants, which should show their current account balance, contributions made, investment performance, and any fees or charges deducted.
- **Educational Resources:** Evaluate whether participants are receiving adequate education and guidance to make informed investment decisions. This might include workshops, online tools, or guidance on retirement planning.

Plan Participation and Enrollment

- **Participation Rates:** Monitor whether participation rates are increasing or decreasing, and review strategies to increase participation, especially among underrepresented groups (e.g., younger employees or lower-income employees).
- **Automatic Enrollment:** If the plan includes an automatic enrollment feature, ensure that employees are being enrolled correctly and are given opportunities to opt-out or adjust contribution rates.
- **Opt-Out and Opt-Up Features:** If the plan includes automatic escalation of contributions (i.e., increasing contribution rates over time), review how effectively this feature is being implemented.

Audits and Financial Statements

- **Internal or External Audit:** Ensure that an audit of the plan's finances is conducted annually, including the review of contributions, distributions, and investment performance.
- **Financial Reporting:** Review the plan's financial reports for accuracy and transparency, verifying that all contributions, investments, and withdrawals are accounted for properly.

Plan Data and Technology Review

- **Data Integrity:** Confirm that participant data is accurate, including contribution histories, investment choices, and personal details. Any discrepancies should be addressed promptly.
- **Plan Administration Systems:** Review whether the technology or platform used to manage the plan is efficient, user-friendly, and secure. Consider changes if necessary to improve the participant experience.

Investment Performance

- **Asset Performance:** The plan should evaluate the returns on the various investments (e.g., stocks, bonds, mutual funds, etc.) within the plan. This includes assessing whether the investments are performing as expected in relation to benchmarks.
- **Risk Profile:** Review whether the investment mix aligns with the risk tolerance of the participants, particularly as they approach retirement.
- **Fund Choices:** If participants have the option to select different investment funds, the plan should evaluate the range of choices available to ensure that they remain appropriate, competitive, and diversified.

Actionable Recommendations and Adjustments

- **Plan Enhancements:** Based on the review, propose any changes to the plan to improve its performance or appeal, such as introducing new investment options, adjusting contribution limits, or adding educational tools.
- **Participant Outreach:** If necessary, launch campaigns to educate or re-engage employees about the benefits of participating in the plan or adjusting their contributions.

Your various service providers such as your TPA, Investment Advisor and Record Keeper can assist with the above items. An annual review of a Defined Contribution plan ensures that the plan is performing well, compliant with regulations, and meeting the needs of its participants. It covers a range of areas, from investment performance to plan costs, member education, and legal compliance, with the ultimate goal of maximizing retirement outcomes for participants.