



## Cycle Three Defined Contribution Plan Restatement

### Top 10 Plan Sponsor Questions

1. What is a plan restatement?

The plan restatement is a complete rewrite of the plan document to incorporate mandatory and voluntary amendments that may have been adopted in the last 6 years. This restatement is mandatory per the IRS. If the plan restatement is not completed timely, the IRS would impose penalties that could include the revocation of the plan's tax favored status.

2. Which types of plans must be restated?

All qualified defined contributions retirement plans that utilize an IRS pre-approved plan document must be restated such as 401(k), profit sharing, money purchase, and governmental retirement plans. A pre-approved plan document is one that the IRS has reviewed and approved of all the plan provisions. An opinion letter is issued by the IRS as certification of the pre-approved status.

3. Why do we have to restate our plan, and don't we have amendments to address the law changes already?

Plan documents are drafted based upon laws and regulations. As laws and regulations change, documents must be updated to reflect these changes. Many regulatory changes have occurred since the last restatement such as plan forfeiture utilization for certain types of company contributions, mid-year amendments for safe harbor plans and in plan Roth transfers. The IRS agrees that if a plan had to be restated every time regulations change, we would continually be revising plan documents, which is why they permit amendments. However, every 6 years the IRS requires these amendments to be incorporated into the plan documents.

4. If we have just restated our plan or our plan is brand new, do I have to restate the plan document?

Yes, whether your retirement plan has been recently restated or newly written, the IRS just issued approval letters in July 2020. Therefore, even plans recently established or newly restated must restate.

5. With this restatement, will we still have amendments attached to our plan document?

Unfortunately, yes. The IRS opinion letters are for regulatory and legislative changes prior to February 1, 2017. Therefore, the following amendments will be addressed separately by Benefits Administrators as we prepare the Cycle Three Restatement:

- CARES Act – passed March 2020
- SECURE Act – passed December 2019
- Bipartisan Budget Act – passed in February 2018

6. What is the deadline for the Cycle Three Restatement?

The final deadline, announced by the IRS, is July 31, 2022.

7. Am I required to restate the plan document to terminate my retirement plan?

When a plan is terminated, it is required to be updated for all legislative changes. For plans that terminate after August 1, 2020, the restatement will become a part of the legal plan document required for the plan termination process.

8. As a business owner, how much time will I spend on this restatement?

Benefits Administrators will be able to do the majority of the work for you. We will prepare the document based upon your current plan design as well as taking advantage of new options. As a plan sponsor and business owner, Benefits Administrators will need to schedule a brief review of the document with you and have you signed and date the restatement when delivered.

9. Is there a cost for the plan restatement and how can we pay for the restatement?

The plan document creates the foundation for your plan's tax deferred status along with compliance and operational guidelines. We have a detailed process to work through each restatement to assume accurate and careful consideration. We will charge a fee for each restatement. However, the amendments listed in question 5 above will be covered by your annual plan document maintenance fee. The restatement fee can be paid by the business or can be paid from plan assets since the restatement is mandatory.

10. So now what are the next steps in the restatement process?

Benefits Administrators has received their pre-approved plan document and opinion letter. As we work toward restating your document, we will be in touch to discuss the draft review and completion.