

# The PRS Report

## Year-End Reminders and Deadlines...

Our annual list of year-end reminders and important deadlines follows. Contact us if you have any questions regarding any of the items listed. Many of the dates refer to calendar-year plans and adjustments may be necessary for non-calendar year plans.

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## Year-End Reminders

### ITEM

### DISCUSSION

#### New Plans

For a new plan to be effective for the calendar tax year 2014, December 31, 2014 is the final day that a document can be signed. Lead time is needed for plan design work, client consultation and decisions, and document preparation. Now is the time to launch discussions on available options for new pension plans.

#### Plan Amendments and Contributions

If it is desired to amend a pension or profit sharing plan, then the plan has to be amended prior to the plan's year-end. If it is desired to decrease a pension plan benefit or contribution formula, then generally an advanced notice prior to participants accruing their benefits is required. Generally, for a calendar year pension plan, which is also a small plan, the participant notice describing a benefit decrease has to be distributed at least 15 days prior to the effective date. Because a profit sharing plan's contribution is usually discretionary, this latter requirement generally does not apply to profit sharing plans.

In addition, each year the IRS publishes a "Cumulative List of Changes in Plan Qualification Requirements." Generally this list would require that amendments be adopted prior to the end of the year to keep plan documentation in compliance.



## Year-End Reminders and Deadlines...(continued)

### ITEM

### DISCUSSION

Safe Harbor 401(k)  
Notices

In order to maintain a Safe Harbor 401(k) plan, certain annual notices must be distributed to eligible employees. One notice describes such employees' rights and obligations regarding the coming plan year. The other notice states the Employer's contribution commitment for the safe harbor profit sharing contribution for the current plan year. These notices must be distributed between 30 and 90 days before the end of the current plan year (between October 2, 2014 and December 1, 2014 for a calendar year plan).

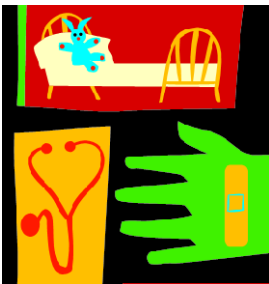
Salary-Reduction  
Elections



Participant 401(k) and Cafeteria Plan elections generally have to be made prior to the beginning of the plan year. Before the end of 2014, plan sponsors should confirm that election options have been communicated and participant elections made for calendar-year plans.

Note that, effective January 1, 2014, premiums paid by individuals for individual health insurance coverage obtained on the Individual Exchanges mandated by the Affordable Care Act are not eligible for pre-tax treatment under cafeteria plans.

Cafeteria Plan Flexible  
Spending Accounts  
(FSA)



Cafeteria Plan rules require that plan participants forfeit unused amounts remaining at the end of the plan year, unless the Plan provides for a "grace period" of up to 2½ months after the plan year end or for a "carryover" to the following plan year of up to \$500 of unused FSA amounts remaining at the end of the plan year. Employees should be reminded of this "use it or lose it rule" and budget their medical and dependent-care expenses accordingly. The cost of an over-the-counter medicine or drug can no longer be reimbursed unless a prescription is obtained, with certain exceptions such as insulin. This applies to any expense even when applied to grace period claims.

Please note that dependent-care salary deductions have to be reported as a separate item on the employee's W-2 Form.

## Year-End Reminders and Deadlines...(continued)

| ITEM  | DISCUSSION  |
|---|---|
| Participant-directed Investments                                    | If participants self-direct their plan investments, then these investments should be reviewed for suitability no less often than annually. It is the plan administrator's fiduciary responsibility to provide appropriate investment choices. It is also the plan administrator's responsibility to provide both annual and quarterly notices to the participants. Be sure those notices comply with the fee disclosure regulations.  |
| PBGC Premium Due Dates Change                                       | Beginning with 2014, premium due dates for Pension Benefit Guaranty Corporation (PBGC) coverage have been accelerated to 9½ months after the beginning of the plan year. So, for calendar year plans, this is October 15th. For this first year only, plans will have until February 16, 2015 to pay these premiums.  |
| Retirement-plan Distribution Withholding and Reporting Requirements | <p>Form 945 is used to report distribution income-tax withholding, and Forms 1099-R and 1096 are used to report retirement plan distributions. If distributions were made in 2014, then the filing deadlines are February 2, 2015 for Form 945 and for the participant copy of Form 1099-R, and March 2, 2015 for Form 1096 and for the Internal Revenue Service copy of Form 1099-R. Generally, your accountant or bookkeeper will prepare Form 945.</p> <p>The Trust should have a Trust Identification Number (TIN) which is different from the Corporate Employer Identification Number (EIN). The TIN should be used to report plan distributions and as the identification number for asset accounts. If the Trust does not have a separate number, please notify us so that we can apply for one.</p> <p>Please note that you must use the Electronic Federal Tax Payment System (EFTPS) to make your plan distribution withholding tax deposits. If you don't have an EFTPS account under the TIN, then you must establish one.</p> |
| Age 70½ Minimum Required Distributions                              | <p>Generally, distributions must be taken by December 31st. If age 70½ is attained in 2014, then the 2014 distribution may be postponed until April 1, 2015. Two distributions would then be required in 2014 (the 2014 distribution by April 1, 2015, and the 2015 distribution by December 31, 2015).</p> <p>Subject to certain conditions, the Plan may allow non-5% owners to delay commencement of the distributions if still actively employed. However, individuals are still required to take IRA distributions (except for Roth IRA accounts) once they have attained age 70½.</p>   |



## Year-End Reminders and Deadlines...(continued)

| ITEM   | DISCUSSION  |
|--|---|
| Age 70½ Minimum Required Distributions (continued) | Because the age 70½ requirements are complicated and because there is a 50% excise tax for the amounts <u>not</u> taken, we suggest that you contact us if you have any questions.  |
| Fidelity Bond                                      | <p>Except for one-participant plans, ERISA requires that every fiduciary of an employee benefit plan and every person who handles funds or other property of a plan be bonded. A one-participant plan means a plan whose participants are only the 100% owner (and/or his spouse) regardless of whether the business is incorporated or not, or whose only participants are partners and/or their spouses.</p> <p>The amount of the bond is generally 10% of the funds handled. The coverage requirement is determined at the beginning of each year and may have to be updated. You can obtain a bond from your casualty broker or by visiting <a href="http://www.colonialsurety.com/fidelity_main.asp">http://www.colonialsurety.com/fidelity_main.asp</a>.</p>  |
| Beneficiary Election Forms                         | <p>Each plan participant should be reminded that he can update his Beneficiary Election by completing a new Form. Examples of when new forms should be completed are as follows:</p> <ol style="list-style-type: none"> <li>1. A participant whose marital or family status has changed since last completing a Beneficiary Election Form should complete a new form.</li> <li>2. A married participant, having attained age 35 since last completing a Beneficiary Election Form, should complete a new Form.</li> <li>3. A participant who has changed his estate plans since last completing a Beneficiary Election Form may want to complete a new Form.</li> </ol> <p>Effective September 16, 2013, marriages of same sex couples which are legally recognized in the jurisdiction in which such marriages took place are recognized for qualified plan purposes. Be sure beneficiary forms reflect the correct marital status of all participants. It may be worthwhile to have all participants complete new forms. For more information, refer to our newsletter of October 2013.</p> |



## Important Deadlines

| EVENT   | DEADLINE  |
|---|---|
| Safe Harbor 401(k) Plan annual notice:  | Between October 2 and December 1, 2014*   |
| 2015 401(k) elections by:   | December 31, 2014*  |
| 2015 Cafeteria Plan elections by:   | December 31, 2014*  |
| 2014 Flexible-Spending Accounts medical and dental expenses incurred no later than:   | December 31, 2014* or, if the plan provides, by the end of the grace period. Alternately, the plan may allow for a carryover. |
| 2014 PBGC premiums:   | February 16, 2015   |
| 2015 PBGC premiums:   | October 15, 2015  |
| Filing of 2014 Form 945 by:   | February 2, 2015  |
| Filing of participant copy of 2014 Form 1099-R by:  | February 2, 2015  |
| Filing of 2014 Form 1096 by:  | March 2, 2015   |
| Filing of IRS copy of 2014 Form 1099-R by:  | March 2, 2015   |
| Certain participants who attained age 70½ prior to 2014 must take their 2014 minimum required distributions by:   | December 31, 2014   |
| A participant, who attained age 70½ during 2014 has to take his IRA (non-Roth) minimum-required distribution and must take his qualified-plan minimum-required distribution by: | April 1, 2015   |

*\* Dates shown are for calendar year plans*



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