

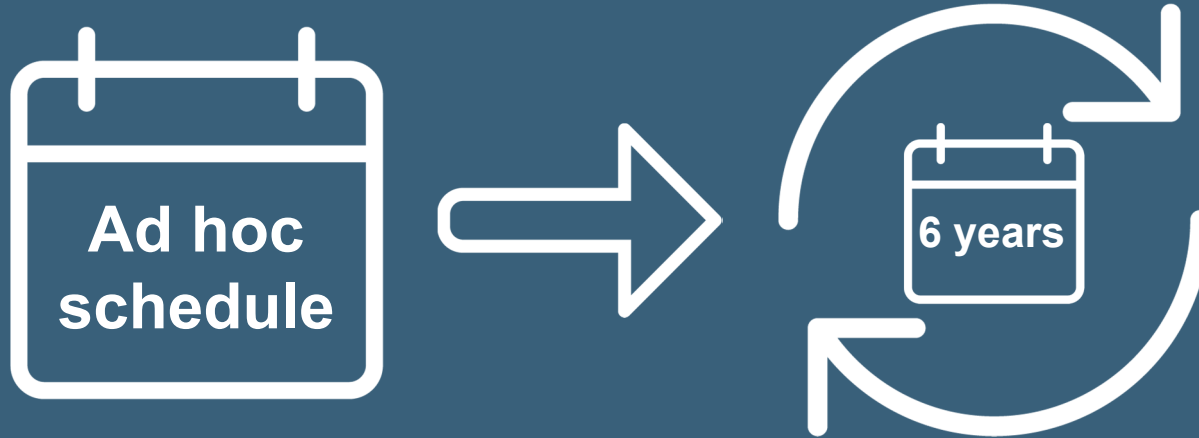
# QRP Document Restatement

Cycle Three

## Learning Objectives

- ✓ Review and understand the QRP pre-approved document requirements
- ✓ Review and understand amendment types and deadlines
- ✓ Review and understand the remedial amendment cycle process
- ✓ Identify opportunities and next steps for you and your employer clients

# Background



## QRP Legal Requirements



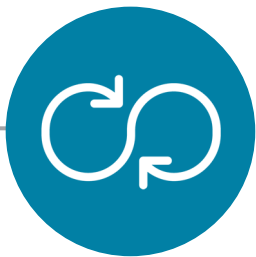
Internal Revenue Code (IRC)  
and ERISA require written  
plan documents

## Pre-Approved Plans before Cycle Three

- **Prototype** is for one employer, one trust, and must be used exactly as approved
- **Master trust** is like a prototype with a shared trust
- **Volume submitter** is customized for each employer within IRS parameters



# Cycle Three Pre-Approved Plans



## **Combine**

prototype, master trust, and volume submitter plan documents into a single pre-approved document program



## **Exceptions**

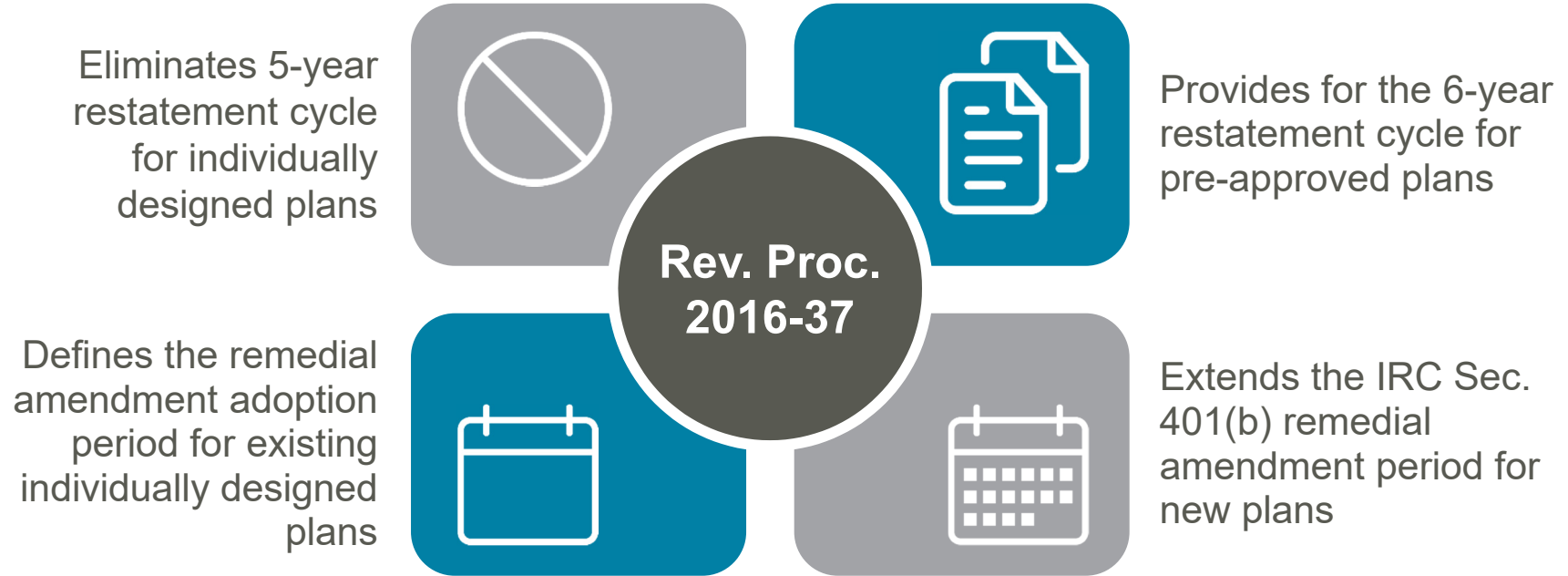
for flexible plan feature and minor modifications

## Remedial Amendment Period (RAP)

- RAP begins when a plan, plan amendment, or change to qualification rules becomes effective
- RAP ends the later of
  - the employer's tax return due date, or
  - the last day of the plan year the change becomes effective.

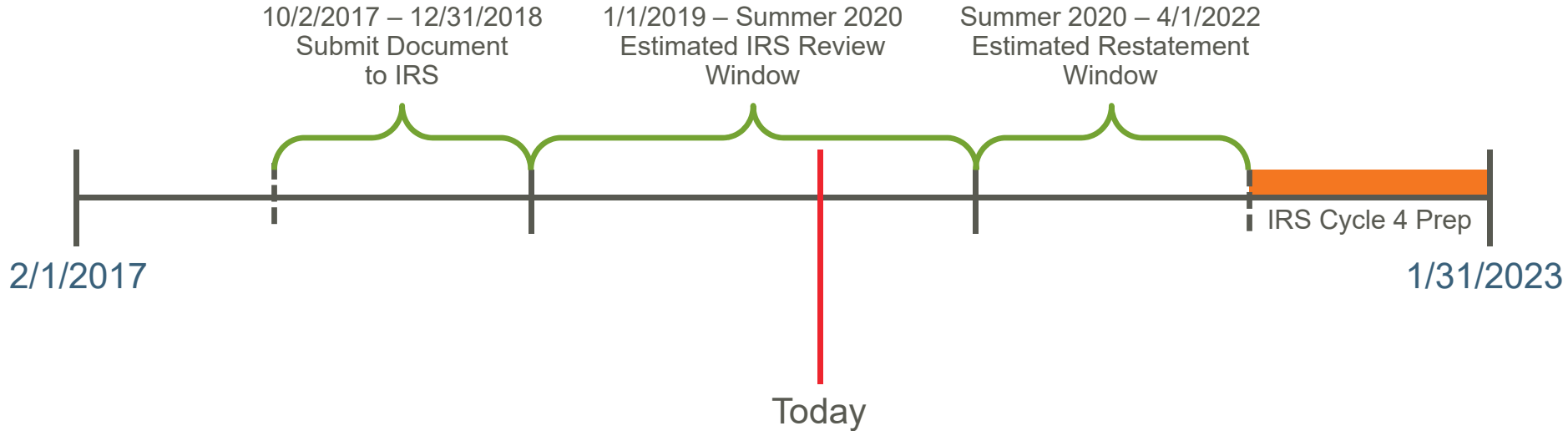


# Remedial Amendment Cycles (RACs)





# Estimated Pre-Approved DC Document Cycle Three Timeline



## Pre-Approved DC Plan Restatement Timeline

- IRS had delayed the submission window, but working on getting back on schedule
- Review and restatement windows are estimated because the IRS has not yet announced a specific timeline
- IRS will announce specific dates as end of plan review and approval process nears

# Forms of IRS Amendments



## IRS Model Amendments

- IRS drafts amendment
- Can be adopted as-is
- “Safe harbor”
- Rare



## IRS Sample Amendment Language

- IRS provides language
- Used as basis for provider-drafted amendment



## “Good Faith” Amendment

- Best effort and interpretation of document provider
- No IRS assistance
- Most common today

## Mandatory Amendments

- **Pre-approved** plans must adopt by end of remedial amendment period, unless special date set
- **Individually designed** plans must adopt by Dec. 31 two years after RA List



## Discretionary Amendments

- **Any** amendment that is **not mandatory**
- Generally, deadline to adopt is **end of the plan year** in which provision is adopted



# Exceptions to Amendment Deadlines

**Interim and discretionary amendment deadline for government entities generally is the later of the**

normal deadline,  
or

the last day of the  
next regular legislative  
session beginning  
after the amendment's  
effective date.



# Exceptions to Amendment Deadlines

Interim amendment deadline for tax-exempt entities generally is the later of the

15th day of the 10th month after the employer's tax year, or

due date of IRS Form 990-T, *Exempt Organization Business Income Tax Return*.



**Form 990-T** Exempt Organization Business Income Tax Return (and proxy tax under section 6033(e))

Department of the Treasury  
Internal Revenue Service

For calendar year 2018 or other tax year beginning \_\_\_\_\_, 2018, and ending \_\_\_\_\_, 20\_\_\_\_.

► Go to [www.irs.gov/Form990T](http://www.irs.gov/Form990T) for instructions and the latest information.  
► Do not enter SSN numbers on this form as it may be made public if your organization is a 501(c)(3).

**A** ☐ Check box if address changed

**B** Exempt under section  
☐ 501(c) (1) ( )  
☐ 408(e) ☐ 290(e)  
☐ 408A ☐ 530(a)  
☐ 529(a)

**C** Book value of all assets at end of year

**D** Name of organization ( ☐ Check box if name changed and see instructions.)

**E** Number, street, and room or suite no. If a P.O. box, see instructions.

**F** City or town, state or province, country, and ZIP or foreign postal code

**G** Check organization type ☐ 501(c) corporation ☐ 501(c) trust ☐ 408(e) ☐ 290(e) ☐ 408A ☐ 530(a) ☐ 529(a)

**H** Enter the number of the organization's unrelated trades or businesses. Describe the trade or business here. If only one, complete Parts I–V. If more than one, complete Part I and then, in the blank space at the end of the previous sentence, complete Parts I and II, complete a Schedule for each trade or business, then complete Parts II–V.

**I** During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? If "Yes," enter the name and identifying number of the parent corporation.

**J** The books are in care of ► Telephone number ►

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses
<b>1a</b> Gross receipts or sales		<b>1c</b>	
<b>b</b> Less returns and allowances		<b>2</b>	
<b>2</b> Cost of goods sold (Schedule A, line 7)		<b>3</b>	
<b>3</b> Gross profit. Subtract line 2 from line 1c		<b>4a</b>	
<b>4a</b> Capital gain net income (attach Schedule D)			

**Nonstandardized  
adoption  
agreements may  
permit minor  
changes**



## Significant Changes to Cycle Three Plan Documents

- Like volume submitter documents in earlier cycles
- Nonstandardized adoption agreements only—standardized adoption agreements are still word-for-word
- Changes are not covered under the opinion letter

# Significant Changes to Cycle Three Plan Documents

**The IRS will no longer rule on trust or custodial language**



- Providers required to remove embedded trust and custodial language from documents
- Provide separate trust or custodial agreements



# Significant Changes to Cycle Three Plan Documents

**May combine  
money  
purchase plan  
documents with  
a 401(k) or  
profit sharing  
documents**



- Allows document providers to streamline document offering by combining multiple plan types under a single opinion letter
- Not available for target benefit plans

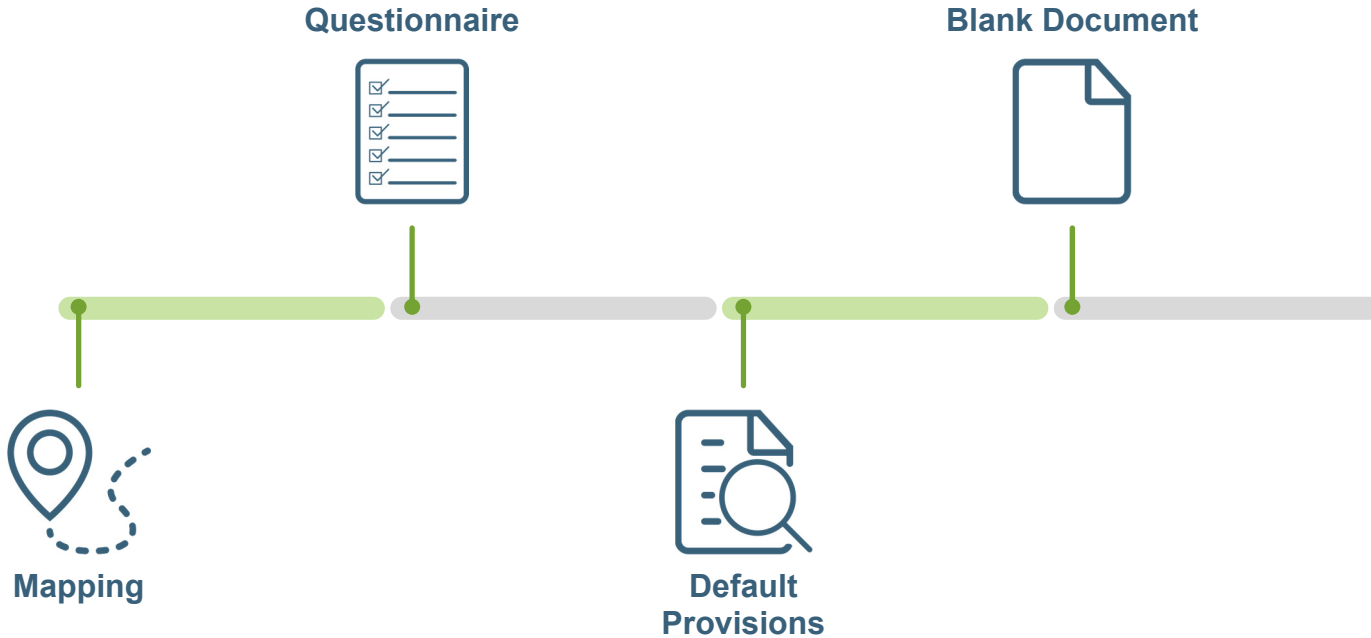
# Significant Changes to Cycle Three Plan Documents

**ESOP  
language  
permitted in  
pre-approved  
documents**



- First cycle the IRS has permitted ESOP language in pre-approved document

# Restatement Approaches



# Mapping Approach

## Pros

- High employer satisfaction if done properly
- More compliant document
- Option to obtain electronic signature

## Cons

- More labor intensive for financial organization
- Requires copies of PPA adoption agreements
- Employers rely on mapped documents without thorough review

# Questionnaire Approach

## Pros

- Easy for employer to understand
- Flexibility
- PPA adoption agreements not required
- Option to obtain electronic signature

## Cons

- Requires 2 responses from employer
- Labor intensive
- Additional cost for second mailing

# Default Provisions Approach

## Pros

- Document generation is simple
- Fewer questions from employers

## Cons

- Must determine and explain defaults
- Employers adopt defaults inconsistent with plan operations

# Blank Document Approach

## Pros

- Document generation is simpler
- Limited liability for document sponsor

## Cons

- Labor intensive for employer
- Lots of room for employer error
- Low response rate
- Generates lots of (irritated) client contact

# Restatement Considerations

- Budget
- Workflow and Procedures
- Tracking and Nonresponders
- Training





# Budget Questions

- Is restatement a money maker or a loss leader?
- Is additional staff needed?
- Are there communication costs?
- Will website or IT maintenance be needed?
- Will an outside vendor for restatement services be needed?



# Workflow and Procedures



Document  
Generation



Summary Plan  
Descriptions



Electronic Delivery



Electronic  
Signature

# Tracking and Nonresponders

- IRS required list of sponsors
- Request copies of signed documents back
- Reminder letters
- Nonresponders
  - Negative response
  - Resignation



# Training



Cycle Three  
Document Training



Call Center training  
and scripting



Financial Advisor  
communications



Employer  
Education pieces

# Challenges for Financial Organizations



# Questions?

Thank you for attending

# QRP Document Restatement

Cycle Three



**We Appreciate Your Opinion**

Please complete the electronic course survey for this course located on the Ascend 2019 mobile app.



We help over **9 million Americans**  
save for life's biggest moments.  
**Education. Healthcare. Retirement.**