

NAGDCA 2013 ANNUAL CONFERENCE *Championing Your Retirement!*
SEPTEMBER 10-11, 2013 / LOUISVILLE, KENTUCKY

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Coping with 457 Plan Audits

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Our Speakers

- Doug Miller: Suffolk County, NY
- Mindy Harris: Senior Consultant, SST Benefits Consulting
- Richard Turner: Deputy General Counsel, VALIC

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Our Agenda

- Audit Process Expectations
- Audit Areas
- Plan Documents & Forms
- Administrative Policies & Procedures
- Plan Governance
- Practical Examples

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Process Expectations

- Phone call from IRS to Plan Sponsor
- Information Document Request (IDR)
 - Plan Document, Employee Handbook, Forms
- On-site Auditors
- Involve Key Personnel
 - COO, Legal, Finance, HR, Provider
- Typical Duration – approximately 9 months, depending on size of employer & responsiveness of key personnel

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Process Expectations (cont.)

- Review of Payroll & Vendor Files
- Walk through of Plan Transactions
- Examination of Internal Controls
- Testing 1099R's
- Remedy Period

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Additional Notes

- Distinguishing an audit from a non-audit inquiry
 - Ex: Employee Plans Compliance Unit (EPCU)
- Expect multiple IDRs, not just one; can involve negotiation
- It helps to have procedures
- Important role for counsel

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Audit Areas

- Official Plan Documents & Forms
 - Legislative & Regulatory Requirements
 - Optional Benefits
- Administrative Policies & Procedures
- Plan Governance

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Official Plan Documents & Forms

- Plan Document - Is it up to date with current legislative & regulatory requirements?
 - Contribution limits, including catch up provisions
 - Participation Eligibility is defined
 - Normal Retirement Age defined

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Official Plan Documents & Forms

- Plan Document - are optional plan benefits defined adequately?
 - Unforeseeable Emergencies
 - Rollovers into plan
 - Loans
 - Auto Enrollment

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Official Plan Documents & Forms

- Plan Forms
 - Do forms include all required information for the event in question?
 - Are forms processed timely – following first of month rule?
 - What is the process to ensure compliance, e.g., with contribution limits?
- Forms can be hard copy or electronic

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Administrative Policies & Procedures

- Do procedures reinforce compliance with
 - participation eligibility
 - contribution limits
 - 1st of month rule
- Are proper authorizations and full documentation included for all transactions?

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Administrative Policies & Procedures

- Plan sponsor vs. Provider Responsibility
 - Responsible party must be clearly identified
 - If provider, plan sponsor approval must be clearly documented

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Plan Governance

- Auditor will request committee meeting minutes
 - Have decisions been made in compliance with Plan Document?
 - Is committee governance process following exclusive benefit rule?

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Some Practical Examples

- Catch-up contributions: prove it up
 - Election: generally; of specific catch-up option (age 50, or special 457(b) catch-up)
 - Documentation
 - Plan terms (fixed or floating NRA?)
 - Election (ex: floating NRA)
 - Supporting data (contribution history)

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Some Practical Examples (cont'd)

- Distributions
 - Plan terms
 - Documentation
 - Unforeseeable emergency distributions
 - Other in-service distributions: age 70 ½ or later unless...
 - RMDs

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Coping with 457 Plan Audits

- Key takeaways
 - Are plan documents & forms consistent?
 - Do plan documents & forms reflect current legislative requirements?
 - Are internal controls in place to prevent excess contributions and safeguarding of employee deductions?
 - Are optional benefits defined adequately?
 - Have IRC limits and requirements been adhered to?
 - Are transactions processed timely?
 - Are governance decisions documented and conducted following the exclusive benefit rule?

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Panel Discussion; Questions and Answers

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