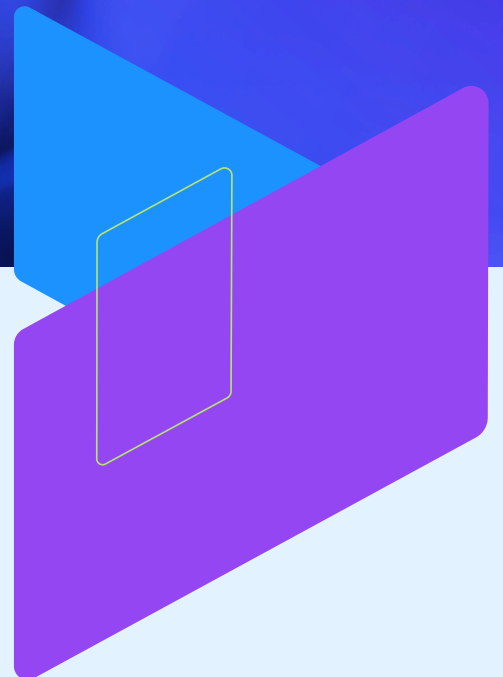




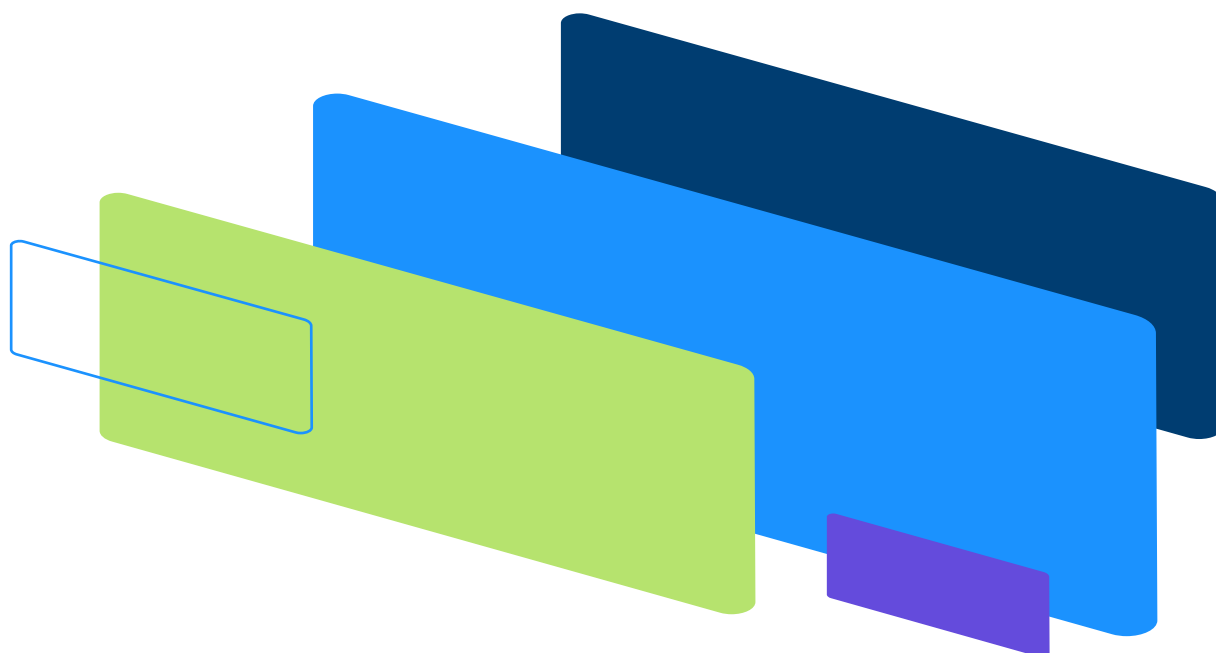
2023 Annual Compliance Update



2023 IRS Benefit and Compensation Limits

Each year the Internal Revenue Service (IRS) evaluates and may make cost-of-living adjustments to the applicable dollar limits for various employer-sponsored retirement and welfare plans. The adjustments to these dollar limits for 2023 are shown below and in comparison to the prior year limits.

	2023 Limitations	2022 Limitations
Annual Additions Maximum (415 Limit)	\$66,000	\$61,000
Employee 401(k) Contributions (402(g) Limit)	\$22,500	\$20,500
Catch-up Contributions (Age 50 or Older)	\$7,500	\$6,500
Highly Compensated Employee Threshold	\$150,000	\$135,000
Key Employee Threshold	\$215,000	\$200,000
Annual Compensation (401(a)(17)) Limit	\$330,000	\$305,000
Social Security Wage Base	\$160,200	\$147,000



Annual Notices

The Department of Labor (DOL) requires that certain annual notices must be provided to plan participants at least 30 days (and not more than 90 days) before the beginning of each plan year. Newly hired employees must receive these notices within 90 days of the date they become plan eligible.

Traditional Safe Harbor 401(k) Notice

Notice discloses the plan's contribution and vesting provisions.

Qualified Automatic Contribution Arrangement (QACA) Notice for a Safe Harbor 401(k)

Eligible Automatic Contribution Arrangement (EACA) Notice

Notice discloses the automatic enrollment feature to participants, including a participant's right to make their own deferral election.

Qualified Default Investment Alternative (QDIA) Notice

Notice explains the circumstances under which a participant may be defaulted into the QDIA.

Participant Fee Disclosure (404(a)(5)) Notice

The Department of Labor issued participant fee disclosure rules for participant-directed plans to help participants understand how much they are paying for administration of their 401(k) plan. They include both plan-related and investment-related information.

The required disclosures must be provided to all employees who are eligible to participate in the plan, including new hires and those employees who are eligible but have not elected to participate in the plan.

Note: *Mid-year changes to any of the provisions reported in the above referenced notices must be distributed at least 30 days in advance of change.*

The **Plan Sponsor Fee Disclosure (408(b)(2)) Notice** must be provided reasonably in advance of entering into an arrangement with the plan. Changes to the disclosure must be provided "as soon as practicable, but not later than 60 days" from the date the service provider is informed of the change (the "60 Day Rule").

Note: *If you have signed up for Slavic's Document Fulfillment service, we will distribute the notices to eligible employees as part of the annual notification distributed in November. If you have not signed up for Slavic's Document Fulfillment service, the plan sponsor will be responsible for distributing the notices to eligible employees.*



Preparing for Annual Non-discrimination Testing

The IRS requires that qualified retirement plans perform non-discrimination testing on an annual basis to ensure that the plan does not disproportionately favor the Highly Compensated Employees (HCEs). Each year Slavic will perform the annual non-discrimination testing and provide the Plan Sponsor with the test results.

We will perform the following tests for all plans:

- 402(g) Review
- 415 Testing
- 416 Top Heavy Testing

We will perform the following tests for all non-safe harbor plans:

- ADP/ACP Testing

Please note a safe harbor 401(k) plan would be subject to top-heavy rules for plan years in which one or more of the following events occur:

- Safe harbor contributions are subject to longer eligibility requirements than employee deferrals.
- A profit-sharing contribution (including forfeiture reallocations) is made during the year.
- A match that's not exempt from the ACP test is made during the year.
- Voluntary (non-Roth) after-tax contributions are made during the year. (Slavic does not permit these type of after-tax contributions)

All employer contributions made during the plan year will count towards satisfying the 3% top-heavy minimum contribution (if applicable).

Slavic401k uses the plan census report data to perform non-discrimination testing. The annual census report contains vital information about each participant including:

- Name, Address, Phone, Email
- Date of Birth
- Date of Hire
- Date of Termination
- Ownership Percentage
- Officer and HCE Identification Codes
- Compensation
- Contributions: Deferral, Match, Profit Sharing

It is important that plan sponsors ensure that participant payroll and census information provided to Slavic401k is accurate as this information is utilized for non-discrimination testing, annual required notice communications (both regular mail and email), eligible employee determination, vesting percentage, and contribution deferrals. Plan sponsors can view participant information on the PEO portal by running a census report and identifying any discrepancies via Client Success or email ClientSuccess@slavic401k.com.





Prior to testing the Plan Sponsor will need to review and confirm that the key employees (including officers and family members) and HCEs are properly identified. Below is a definition of each:

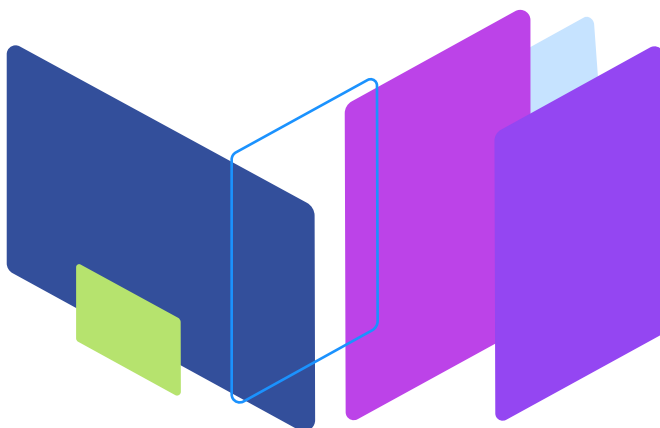
What Is a Highly Compensated Employee (HCE)?

- Owned more than 5% of the interest in a business at any time during the year or the preceding year, regardless of how much compensation that person earned or received
- Received compensation from the business of more than \$135,000 if the preceding year is 2022, and, \$130,000 if the preceding year is 2021
- If the employer so chooses, was in the top 20% of employees when ranked by compensation

What is a Key Employee?

A key employee is an employee with major ownership and/or decision-making role in the business. Key employees are usually highly compensated either monetarily or with benefits, or both.

- More than 5 percent owner of the business
- Owns more than 1% of the business, and has annual compensation greater than \$150,000 (not indexed)
- Is an officer (C-suite) with compensation greater than \$200,000 for 2022 (as indexed)



Regulatory Filings

Plan Sponsors are required to file Form 5500 Annual Return/Report of Employee Benefit Plan annually seven (7) months after the plan year end, with an additional 2 ½ months extension if Form 5558 Application for Extension of Time to File is filed. The Form 5500 provides your plan's yearly financial information and discloses required plan information to the Department of Labor (DOL).

Depending on if you are a large plan filer (over 100 eligible employees) or a small plan filer (under 100 eligible employees) determines if you will need a qualified auditors report and provide additional required schedules and attachments.

Failure to file timely can result in significant DOL and IRS fees and penalties.

- Internal Revenue Service: \$250 per day, not to exceed \$150,000
- Department of Labor: Up to \$2,259 for 2021 (subject to annual DOL adjustments) for each day the form is late with no overall maximum

If you are a plan sponsor of a closed multiple employer plan (MEP) or a Pooled Employer Plans (PEP) you are required to file one Form 5500 for the entire plan on behalf of all adopting employers. However, "open" MEPs are required to file one Form 5500 for each adopting employer of the Plan.

If you sponsor a single-employer plan and are considering joining a closed MEP you will be required to close out the single-employer plan. Once all assets are transferred to the MEP, you must file a Form 5500, marked final, and show assets at zero at the end of the year.

ERISA Bond Requirement

ERISA requires that every person who "handles funds or other property" of an employee benefit plan, including a 401(k) plan, be bonded. The required bond, commonly known as a fidelity bond, protects plans against losses due to fraud or dishonesty by plan fiduciaries and others who handle plan funds, whether directly or through cooperation with others.

As a rule, an ERISA bond must be for at least 10% of the amount of funds handled by the covered person in the preceding plan year but not less than \$1,000. The maximum required bond is typically \$500,000, but for plans that hold employer securities, the maximum is \$1 million.

Bonds must be placed with a surety or reinsurer that is named on the Department of the Treasury's Listing of Approved Sureties, Department Circular 570 (available at fms.treas.gov/c570/c570.html). 29 C.F.R. sec. 2580.412-21, sec. 2580.412-23, sec. 2580.412-24.



Note: There is no small plan or small amount exception to the ERISA bonding requirement. But, certain types of fiduciary organizations such as, FDIC-insured banks, trust companies that are subject to equivalent state-law bonding requirements, and registered brokers and dealers that are subject to the fidelity bonding requirements of a self-regulatory organization, are exempt.

Required Minimum Distribution

Required Minimum Distributions (RMDs) are minimum amounts that a retirement plan account owner must withdraw annually. Unlike the RMD requirements from Traditional IRAs that mandate withdrawals when account holders turn 72, the requirements from a 401(k) plan are different and depend on the employee's company ownership or working status:

RMD Requirement for 5% Owners

A more than 5 percent owner of the company that holds a 401(k) account balance (or spouse or parent of an owner), must begin taking RMDs by April 1st following the year age 72 is reached and by December 31st each year thereafter.

RMD Requirement for Non-Owners

Non-owner RMDs must occur by April 1st following the year that age 72 is reached, or the year the employee retires or leaves the company, whichever is later. In each subsequent year, the RMD must be made on or before December 31st.

Note: The RMD age increased from age 70 ½ to 72 with respect to individuals who attain age 70 ½ after December 31, 2019.

Failure to process a RMD includes a 50 percent penalty tax to the participant by the IRS on the amount that should have been withdrawn in the calendar year. This tax is in addition to regular income taxes. IRS Notice 88-38 explicitly precludes individuals from aggregating RMD amounts from a qualified plan with RMD from an IRA. Therefore, participants must take the 401(k) RMD from each 401(k) account.



Compliance Corner -- Q&A

Fiduciary Responsibility of a Plan Sponsor

What is my fiduciary responsibility for the 401k?

The primary responsibility of fiduciaries is to run the plan solely in the interest of participants and beneficiaries and for the exclusive purpose of providing benefits and paying plan expenses. Fiduciaries must act prudently and must diversify the plan's investments in order to minimize the risk of large losses.

Employers have a fiduciary responsibility to pay only reasonable and necessary fees from 401(k) plan assets. Keeping 401(k) fees in check is of the most important fiduciary responsibilities because even small excessive fee amounts today can dramatically reduce a participant's account balance decades from now.

Do plan sponsors have a fiduciary responsibility?

The plan sponsor has fiduciary responsibility for the prudent selection of the investment advisor and an ongoing fiduciary responsibility to evaluate and implement the investment advisor's guidance and recommendations.

Specifically, plan sponsor duties include:

- Developing a Plan Document
- Selecting the Plan's Investment Lineup
- Overseeing Employee Payroll Data
- Working with Your 401(k) Providers
- Communicating with Employees
- Administering Distributions and Loans
- Monitoring Fees and 401(k) Service Providers

Is 401k plan administrator a fiduciary?

401(k) plans must have a plan sponsor, a plan administrator, a Named Fiduciary, and a trustee. Plan sponsors, plan administrators (and Named Fiduciaries and trustees) all have fiduciary responsibilities. While the same entity may assume all four roles (often by default), it's important to understand their nuances.

A named fiduciary is the "go-to" person with regard to operation and administration of the plan. This person is responsible for choosing and monitoring other plan fiduciaries and service providers.



What is not a fiduciary responsibility under ERISA?

Fiduciaries under ERISA do not include attorneys, accountants, actuaries, third party administrators, and recordkeepers, individuals who act solely in their professional capacities, and individuals who perform solely ministerial tasks for a plan or plan administrator.

Does Slavic have tools we can use to manage our Plan?

Yes, we have tools available to plan sponsors to assist with administration of your plan, below are just a few:

Becoming Eligible Report – a self-service report, available anytime online, that identifies participants who are becoming eligible during a specified date range

Match Variance Report – reporting tool available on the Plan Sponsor Portal to provide this report on-Demand to learn if there are missed matches for any employees in any worksite.

Plan Adopter Insight – a monthly email subscription that provides the company owner/worksites with valuable information about their retirement plan including a preliminary view of where their plan is trending as it relates to year-end ADP/ACP and Top Heavy testing.

Slavic Plan Sponsor Website – provides plan sponsors valuable information regarding regulatory requirements, IRS limits, plan provisions and options, compliance reports, and industry insights.

Plan Sponsor Portal – provides plan sponsors with the ability to run reports many different types of reports, on-demand.

If you have any questions concerning the content of this communication, please contact your qualified professional.

Key Dates

- March**
 - 15** IRS deadline to process corrective refunds without incurring 10% excise tax (non-EACA Plans)
- April**
 - 17** Deadline to process 402(g) refunds
- June**
 - 30** Deadline to process corrective refunds for EACA Plans
- July**
 - 31** Deadline to file Form 5500 without Form 5558 Application for Extension of Time to File
 - Deadline to file Form 5558 Application for Extension of Time to File (provides a 2 ½ month extension to file Form 5500)
- September**
 - 15** Form 5500 due to the Employee Benefits Security Administration (EBSA) from plans eligible for an automatic extension linked to a corporate tax extension
 - 30** Summary annual reports due to participants from plans that end December 31, 2021 – nine months after that date, or two months after filing Form 5500
- October**
 - 16** Deadline to file Form 5500 with Form 5558 Application for Extension of Time to File
- November**
 - 15** Summary annual reports due to participants if the Form 5500 deadline was extended because of a corporate tax filing extension.
- December**
 - 1** Last date to distribute Annual Safe Harbor Notice for the upcoming plan year
Last date to distribute Annual Auto-Enrollment Notice for the upcoming plan year
Last date to distribute Annual Qualified Default Investment Alternative Notice for the upcoming plan year
 - 15** Summary annual reports due to participants if the Form 5500 deadline was extended because of filing Form 5558
 - 29** Deadline for ADP/ACP test refunds of excess 401(k)/(m) contributions and allocable income or re-characterization of pretax contributions as after-tax (if not done by March 15 to avoid 10% excise tax), or corrective contributions (if not made by Oct. 15 to have them count as 2021 annual additions)
 - 29** IRS Deadline to fund Top Heavy Minimum contributions for the 2022 plan year





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