SLAVIC401K

2024 Annual Compliance Update

2024 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 2024 are shown below and in comparison to the prior year limits.

	2024 Limitations	2023 Limitations
Annual Additions Maximum (415 Limit)	$69,000	$66,000
Employee 401(k) Contributions (402(g) Limit)	$23,000	$22,500
Catch-up Contributions (Age 50 or Older)	$7,500	$7,500
Highly Compensated Employee Threshold	$155,000	$150,000
Key Employee Threshold	$220,000	$215,000
Annual Compensation (401(a)(17)) Limit	$345,000	$330,000
Social Security Wage Base	$168,600	$160,200

Annual Notices

Regulations require that the annual notices listed below be provided to plan participants within a reasonable time before the first day of the next plan year. The IRS deems this timing requirement to be satisfied if the notices are distributed between 30 and 90 days before the beginning of the following plan year. Newly hired employees must receive these notices before becoming eligible for the plan, but not earlier than 90 days before their eligibility date

Safe Harbor 401(k) Notice

The Safe Harbor Notice discloses the plan's contribution and vesting provisions.

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

The QACA Notice discloses the plan's contribution and vesting provisions as well as the automatic enrollment feature and the participant's right to make their own deferral election.

This information provided herein is for educational purposes only. It is not designed to be complete in all material aspects. Therefore, it should not be construed as legal, investment-related or tax advice.

Eligible Automatic Contribution Arrangement (EACA) Notice

The EACA 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

The QDIA 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 (DOL) 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. The notice includes both plan-related and investment-related information.

Note: Generally, 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 fee information must be disclosed "as soon as practicable, but not later than 60 days" from the date the service provider is informed of the change.

Note: ***If you have signed up for Slavic's Document Fulfillment services, we will distribute the notices to participants as part of the annual notification process in mid-November. If you have not signed up for Slavic's Document Fulfillment services, plan sponsors will be responsible for distributing the notices to their participants.***

Preparing for Annual Compliance 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 nondiscrimination testing and provide the Plan Sponsor with the test results.

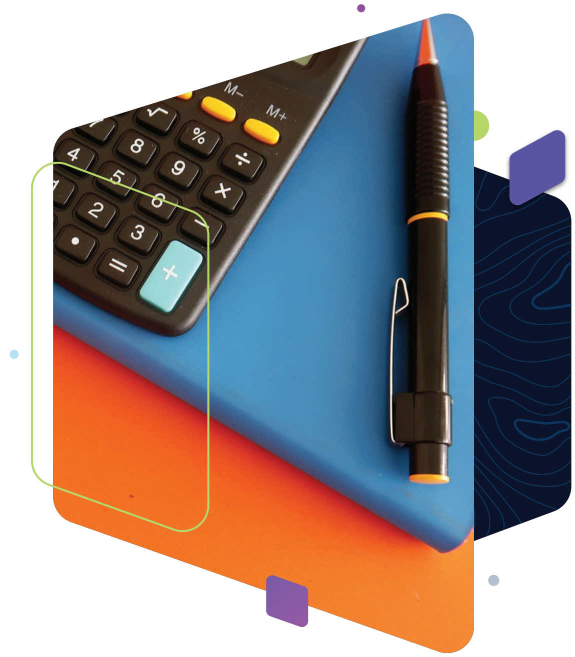
Slavic will perform the following non-discrimination tests for all non-safe harbor plans:

- ADP/ACP Testing
- Top Heavy Testing

Slavic will perform the following compliance tests for all plans:

- 402(g) Review
- 415 Testing

Please note safe harbor 401(k) plans are 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 (Slavic does not permit after-tax contributions

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

Slavic uses the plan census data to perform annual compliance testing. The annual census 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 Slavic is accurate as this information is utilized for nondiscrimination 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 notifying Slavic of any discrepancies by contacting your Client Success representative or by emailing 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)?

- Owns 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, or;
- Received compensation from the business in the preceding year that is more than the prescribed IRS dollar amount (more than $150,000 if the preceding year is 2023, and, $135,000 if the preceding year is 2022), or;
- If the employer elected, was in the top 20% of employees when ranked by compensation and who had compensation in the prior year was more than the prescribed IRS dollar amount.

What is a Key Employee?

A key employee is an employee with certain ownership and/or decision-making role in an organization/company. A key employee is anyone during the current or previous plan year who:

- Owns more than 5 percent of the business (includes certain family members of more than 5% owners), or;
- Owns more than 1% of the business, and has annual compensation greater than $150,000 (not indexed), or;
- Is an officer (generally a C-suite employee) with compensation greater than $215,000 for 2023 (as indexed)
- A family member of key employee includes a spouse, child or parent that is actively employed with the organization.

Regulatory Filings (Form 5500)

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 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 2023 (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.

New Rules for 2023 Form 5500 Filings

On Feb. 23, 2023 the DOL, IRS and PBGC issued the following revisions to the 2023 Annual form 5500 Filing for defined contribution plans:

- A consolidated Form 5500 reporting option for certain groups of defined contribution retirement plans.
- Improved reporting by pooled employer plans (PEPs) and other multiple employer plans (MEPs).
- A change in the participant-counting methodology for determining eligibility for simplified reporting alternatives available to "small plans," which are generally plans with fewer than 100 participants.
- A breakout of reporting on administrative expenses paid by the plan on the plan's financial statements.
- The addition of selected IRC compliance questions to improve tax oversight and compliance of tax-qualified retirement plans.
- Technical and conforming changes as part of the annual rollover of forms and instructions.

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 reach a specific age (see chart below), 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 73 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 73 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.

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. Secure 2.0 reduces these penalties for tax years beginning after December 31, 2023, but not with respect to distributions require before January 1, 2024. 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.

RMD Changes under Secure Act and Secure 2.0

The SECURE Act of 2019 increased the required minimum distribution ("RMD") age to 72. SECURE 2.0 further increases the required minimum distribution age to 73 starting in 2023 and to 75 starting in 2033.

See the chart below:

Year of Birth	Age	Governing Regulation
Before July 1, 1949	70 1/2	TRA 86
7/1/1949 - 12/31/1950	72	SECURE Act
1/1/1951 - 12/31/1959	73	SECURE 2.0
1/1/1960 and later	75	SECURE 2.0

Account Balance

Secure 2.0 eliminated the requirement for pre-death RMDs for Roth Accounts. This means that the RMD calculations beginning in 2024 will no longer include Roth account balances. Many participants with Roth accounts will see a decrease in the amount of their RMD due to this change.

Reduced Penalties

For distributions required after December 31, 2023, the RMD penalties have been reduced to:

- 25% of the missed RMD, further reduced to
- 10% if corrected within correction period
  - Two years after year RMD should have been taken (unless IRS assesses/issues deficiency notice sooner)
- A participant or plan administrator can still apply for a waiver of the penalty

Enhanced Retirement Plan Savings, Long-Term, Part-Time Employees

The first time a Long-Term, Part-Time (LTPT) employee will be eligible to participate in a plan under SECURE 1.0 is January 1, 2024. Plans must allow part-time workers to make elective deferrals to the plan after completing a minimum of **500 hours in three (3) consecutive 12-month periods**. Pre-2021 service is disregarded for eligibility and vesting purposes.

The first time a LTPT employee will be eligible for a plan under SECURE 2.0 is January 1, 2025. Plans must allow part-time workers to defer to the plan after working a minimum of **500 hours in two (2) consecutive 12-month periods**. Pre-2021 service is disregarded for eligibility and vesting purposes.

Roth Catch-Up Contributions

Effective for tax years beginning after December 31, 2023, Secure 2.0 requires catch-up contributions made by a participant with wages above $145,000 (a "High-Paid Employee") to be made on a Roth (after-tax) basis (rather than on a traditional pre-tax basis). On August 25, 2023 IRS issued Notice 2023-62 providing for a two-year transition period through December 31, 2025. During two-year transition period, plans may continue to allow pre-tax catch-up contributions by High-Paid Employees.

Compliance Corner

Q&A – Forfeitures

The IRS issued proposed regulations addressing the timing of when forfeitures must be utilized. The proposed regulations state "any forfeitures incurred during a plan year, must be used within 12 months following the close of the plan year".

The regulations provide for a transition period which states that forfeitures incurred during a plan year prior to January 1, 2024 will be treated as having been incurred during the first plan year that begins on or after January 1, 2024.

What does this mean?

This means that effective January 1, 2024, all forfeitures incurred in 2024 and in prior plan years (due to the transition rule) must be utilized no later than December 31, 2025. Beginning January 1, 2025, and for all subsequent plan years, forfeitures generated during the plan year must be used no later than the December 31 of the following plan year (i.e., December 31, 2026 for 2025).

How are forfeitures generated?

The most common way forfeitures are generated is when a participant separates from service and is less than 100% vested in employer contributions upon distribution. Additionally, forfeitures may be incurred when a plan merges into the MEP and the plan transferring in has a forfeiture balance. As well, forfeitures may be generated from ineligible employer contributions as a result of plan testing failures or over-contributions that are not eligible to be transferred out of the plan.

Your plan document will specify the timing of the forfeiture, but the most common trigger is the earlier of the date the participant:

- Receives a complete distribution of their vested account balance, or
- Incurs five (5) consecutive one-year breaks in service.

Do plan sponsors have flexibility in how they use plan forfeitures?

Yes, your plan document will include language regarding how plan sponsors are permitted to utilize plan forfeitures. The Slavic plan document allows for the forfeiture account balance to be utilized for:

- Paying plan administrative expenses,
- Reducing company contributions, and
- Allocating as additional company contributions

Does Slavic have a report I can run to find out if my plan has a forfeiture balance?

To review your plan's forfeiture account balance please log into your **Plan Sponsor Portal**. *Log in under Employer and from the top menu bar select Plan and then select Plan Balance. At the top of the page click on 'View forfeiture balance'.* **www.slavic401k.com**

How do I use my forfeiture balance to offset employer contributions?

If you would like to use forfeitures to offset an employer contribution and you submit contributions via the Contributions Portal, you will need to log into your plan sponsor portal to initiate this transaction. *Your forfeiture balance can be found on the "Summary" page under "Contributions". (Sponsor Portal/ Contribution/Summary). We strongly suggest you view the video that is available on the portal to learn how to not only upload contributions but to also utilize available forfeiture balances to offset employer contributions.* **https://slavic401k.wistia.com/medias/aadeccy93u**

Please note the Contributions Portal is only available for Multiple Employer Plans. If your plan does not submit contributions via the Contributions Portal, please reach out to your Client Success Representative to learn the process to follow to utilize your forfeitures.

How do use my forfeiture balance to offset permitted plan related expenses?

If you would like to use forfeitures to offset plan expenses, please reach out to your Client Success Representative to discuss the amount of forfeitures you would like applied to your next invoice.

Key Dates

February

- **1** Notification will be sent to clients that report K-1 Compensation

March

- **7** Last Day to report K-1 Compensation for Testing
- **15** IRS deadline to process corrective refunds without incurring 10% excise tax. (non-EACA Plans)

April

- **1** First time RMDs Due
- **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 (9) months after that date, or two months after filing Form 5500.

October

- **1** Last date to submit 1/1/2024 Slavic Plan Safe Harbor amendment request - Slavic to include the regulatory notice mailing.
- **5** Annual Compliance Census E-mail Blast Reminder will be sent
- **15** 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.
- **17** Last date to submit 1/1/2024 Slavic Plan Safe Harbor amendment request
- **28** Last date for worksite to sign 1/1/2024 Slavic Plan Safe Harbor amendment (Slavic will provide the Plan Sponsor the Safe Harbor Notice to distribute once the amendment is executed.)

Key Dates

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
	Last date to submit 1/1/2024 Slavic Plan Non Safe Harbor amendment request
8	Last date for worksite to sign 1/1/2024 Slavic Plan Non Safe Harbor amendment
15	Summary annual reports due to participants if the Form 5500 deadline was extended because of filing Form 5558.
31	Deadline for ADP/ACP test refunds of excess 401(k)/(m) contributions and allocable income or re-characterization of pretax contributions
	IRS Deadline to fund Top Heavy Minimum contributions for the 2023 plan year
	IRS Deadline for Annual RMDs

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