

# Pentegra Case Studies

# Plan Compliance

# Not So Safe Harbor

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

A plan sponsor had stopped their safe harbor matching contribution. As a result, the plan had to undergo traditional compliance testing.


Because the client had a safe harbor plan, however, the recordkeeper didn't think to apply the Top Paid Group (TPG) formula to compliance testing, **resulting in significant corrective refunds.**

### How Pentegra Helps



The benefit of our 3(16) fiduciary oversight—\$18,793.05 in refunds for 88 highly compensated employees was brought down to \$8,628.69 for only 24 employees.

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.



## Big Refunds? Our Team Thought Otherwise.

### Pentegra's 3(16) Fiduciary and Compliance Services at Work

#### Overview

An initial compliance test for a client showed results of **compliance refunds of \$56,468**. While other providers might have just issued the refunds, our team instinctively knew that didn't seem right for a plan of its size.

When we researched the issue, we found that the cause of the large refund was attributable to two plan participants who were considered ineligible. **It turned out the client had entered the wrong Social Security numbers for those employees.**

#### How Pentegra Helps



**We fixed the error and re-ran compliance testing with the corrected data. As a result, the refunds actually issued only totaled \$631—a very significant difference!**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.

# Experience Matters.

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

In this case, a plan had failed the match limit test –and **all participants** who had received matching contributions **were set to forfeit those contributions.**

Our compliance expertise told us something didn't add up. Determined to find the cause of the problem, our team went on a fact-finding crusade to investigate the issue, which turned out to be a simple data error. A single data error had triggered the recordkeeping system to conclude that every participant had exceeded their match limit, which was not the case at all.

### How Pentegra Helps



Once we reached out to the recordkeeper to correct the data error, all participants matching contributions remained intact and nothing was forfeited.

**Pentegra's 3(16) oversight can deliver compliance confidence for your clients.**

# When Zero is a Good Thing

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

After an initial compliance test, a 313-participant plan was set to forfeit \$474,732. This amount would have been forfeited as a result of communicating an incorrect matching formula and other census data errors.

After our team researched and resolved the errors, **a grand total of zero was forfeited.**

A similar situation unfolded in the case of another client. In this case, compliance testing appeared to result in **refunds of over \$51,000.** Our experience told us that the plan's compensation seemed suspect.

### How Pentegra Helps



After reviewing the situation with the client, it turned out that nearly every compensation number reported on the census data was incorrect. **Once the census data was corrected and we re-ran the testing, refunds went from nearly \$500,000 to \$0.**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.

# The Difference a Dollar Makes

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

In this case, a client's plan had failed coverage testing. **The plan was looking at refunds of over \$8,500.**

It was the benefit of our experience that told us that something just didn't add up in terms of the coverage testing. As it turned out, these participants were paid in Haitian dollars, so the census had to be updated and the testing redone.

### How Pentegra Helps



**With the new information, in U.S. dollars, refunds were reduced from \$8,551 to \$1,772 and only one participant was affected.**

**Big difference!**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.



**Experience Matters.**

## **Pentegra's 3(16) Fiduciary and Compliance Services at Work**

### **Overview**

A plan was set to fail compliance testing with **big refunds of \$269,096** for its highly compensated employees. The benefit of our experience told us that something appeared askew.

**We reviewed the plan data for the client, saving them the time of having to painstakingly check all the details.**

We discovered that there were three participants who were incorrectly allowed to defer prior to meeting eligibility, which had a disastrous impact on compliance testing.

### **How Pentegra Helps**



**After working with the client to make the data corrections, refunds went from nearly \$300,000 to \$0.**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.



# A More Innovative Approach

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

A plan was set to issue over \$1,000 in refunds after failing compliance testing.

We weren't ready to do that quite yet. One of the benefits of working with our consulting team is the creative and different ways that they approach plan problems, always putting the client's best interests first.

Rather than default to simply processing the refund, we took a more innovative approach. Instead, we recommended that the client make a qualified non-elective contribution (QNEC) –an amount designed to replace the opportunity lost to a participant who has not been permitted to make elective deferrals.

### How Pentegra Helps



**The client had a choice: Issue \$1,154 in refunds or make an \$18 QNEC.**

**Not surprisingly, they chose the \$18 QNEC.**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.

# The Move that Saved Half a Million



## Pentegra's 3(16) Fiduciary and Plan Compliance Services at Work

### Overview

In another case, Pentegra took on a plan that had failed to correctly administer the plan's matching contribution feature. Plan records indicated no match had been made in that plan year. However, one of the business partners had in fact made the match, albeit late and without proper documentation. **As a result, the plan was going to have to refund the 500,000 match.**

### How Pentegra Helps



As a result of the Pentegra team's knowledge of plan design and permissible amendments, we suggested a retroactive amendment to change from the current-year testing method to the prior-year testing method—a move that kept the half million dollars of matching dollars in the plan.

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.



# The Missing Matching Formula

## Pentegra's 3(16) Fiduciary and Compliance Services at Work

### Overview

In this case, a plan was facing a dire outcome—it stood to either refund or forfeit over \$2.6 million in matching contributions! **The reason for this—the plan's matching formula was “missing”.**

Matching formulas are sometimes defined as discretionary in the plan document. When a match is discretionary, the plan sponsor must provide their recordkeeper with the formula they elect to use for the year.

In this case, that hadn't happened, so when it was time to run compliance testing, without a known matching formula, the entire match was subject to forfeiture, because our initial compliance testing results showed that every plan participant had technically “exceeded” the match limit.

### How Pentegra Helps



**Our Consulting team reconstructed the numbers for the entire participant population. Once all plan corrections were made, refunds went from in excess of \$2.6 million to \$533**

**Pentegra's 3(16) oversight can deliver compliance confidence for your clients.**

# Plan Consulting

# Digging Deeper Delivers an Optimal Result

## Pentegra's Plan Consulting Services at Work

### Overview

A recent plan win, to the tune of **\$150,000**, related to a correction involving an Internal Revenue Code Section 402(g) excess of employee salary deferrals. The business was a "pass through" entity, which meant the owner's compensation required special consideration and processing for retirement plan purposes.

The Pentegra team's in-depth understanding of not only plan rules, but the inner workings of payroll processing helped solve the issue for the client.

### How Pentegra Helps



We used a special pay code that allowed the plan to accommodate the partner's pay or "draws," which alleviated the problem, **saving the client \$150,000.**

Pentegra's **3(16)** oversight can deliver compliance confidence for your clients.

## When We Assume...

### Pentegra's 3(16) Overlay Solution at Work

#### Overview

When meeting with a potential client, one of the questions our team asked was about the delivery of required notices. We asked how the notices were being delivered—paper or electronic? The client looked at us strangely and said, 'I delete them.'

He explained that when he received the emails with the required notices and delivery instructions, he deleted them.... **because he assumed his TPA was delivering them to the participants. Except...they were not.**

**As a 3(16) fiduciary, we review the details and ensure the plan is being administered correctly— including ensuring that plan notices are delivered.\***

#### How Pentegra Helps



**Clients often assume the plan's TPA or recordkeeper is handling something. In this case, Pentegra's 3(16) fiduciary oversight helped prevent what we can only assume would have been a significant problem.**

*\*Enhanced and Comprehensive 3(16) Solution*

**Pentegra's 3(16) oversight can deliver compliance confidence for your clients.**

For Plan Sponsor and Advisor use only. This material is provided for informational purposes only and does not constitute investment, tax, legal, or accounting advice on the matters addressed.



# Plan Corrections—Plus a Process to Avoid Future

## Pentegra's Consulting Services at Work

### Overview

Pentegra was asked to look at a large plan with 1,000+ participants that had been performing manual payroll uploads with its recordkeeper, leaving it with messy consequences. This cumbersome process went on for months, until the plan sponsor realized it was not uploading salary deferrals for all participants and had missed matching contributions along with certain loan payments. **Participant loans began to default.**

Pentegra's Consulting team devised a plan to bring the plan back into compliance and correct the errors, reconciling months of payroll files to verify what was deposited to the plan, what should have been deposited, calculating earnings and correcting any differences. **We worked with the sponsor to restore the affected participants to the same position they would have been in if the errors had not occurred.**

### How Pentegra Helps



**Most importantly, we worked with the plan sponsor to establish a better process to avoid mistakes in the future with Pentegra's 3(16) Overlay Services.**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.

# Something Got Lost in Translation

## Pentegra's 3(16) Fiduciary and Consulting Services at Work

### Overview

Often, we find errors with plan conversions where “something got lost in translation” when moving between providers. In this case, a plan with a participant population of 1,000 lives received shocking compliance results – not only had the plan failed compliance testing, but the fix was frightening—**refund \$1.7 million of excess contributions and earnings**.

The sponsor engaged Pentegra's Consulting team to research what had gone wrong and come up with a more palatable solution.

The team found that the census data was filled with errors and converted incorrectly. Of the plan records for the 1,000 lives—712 (72%) had **bad data** that needed to be reconciled.

### How Pentegra Helps



**By correcting the census data, properly applying the matching contribution formula and rerunning compliance testing, Pentegra was able to ensure that all \$1.7 million in contributions and earnings remained in the plan.**

Pentegra's 3(16) oversight can deliver compliance confidence for your clients.



# Plan Audit

# The Best Thing Since Sliced Bread

## Pentegra's 3(16) Fiduciary and Plan Audit Services at Work

### Overview

**Even if a plan is already under audit by the DOL or IRS, Pentegra can assist.**

A plan sponsor had been under DOL audit for 10 long, frustrating months trying to work through a compliance issue related to what appeared to be late contributions. Facing plan disqualification at the worst and steep penalties at the least, the plan sponsor engaged Pentegra as a last resort.

Through Pentegra's expert research of several years' worth of payroll files and plan deposits, what were thought to be missing contributions dating back to 2019 turned out to be an inadvertent documentation error by the payroll department. The contributions had been deposited to the plan.

### How Pentegra Helps



**Pentegra worked work directly with the plan auditor and produced the documentation that ultimately exonerated the plan. Within four weeks, the case was brought to resolution with a very favorable outcome for the plan sponsor. Said the plan sponsor, "How was such a quick, but thorough solution possible? This is the best thing since sliced bread."**

**Pentegra's fiduciary and plan audit services can deliver compliance confidence for your clients.**



# The Great Escape...of a DOL Audit

## Pentegra's 3(16) Fiduciary and Plan Audit Services at Work

### Overview

Pentegra's knowledge and know-how with correcting late Form 5500 filings was used to help another plan sponsor escape a potential DOL audit along with significant plan penalties.

The DOL had been alerted that the plan appeared to have missed or incorrectly filed its Form 5500. Pentegra's Consulting team stepped in and, after reviewing the change in participant count between the preceding years, used the special "80-120" rule to resolve the issue.

Our experience resolving similar issues and the in-depth knowledge of our team—particularly when it comes to obscure filing rules—wound up saving the plan sponsor approximately \$12,000 in costs and penalties.

### How Pentegra Helps



**Said the plan sponsor, "I just want to thank you for all that you did to finalize our 5500. The choice to move to Pentegra was one of the best decisions we made. Thank you again for all that you did to help our audit go so smoothly. You were amazing!"**

Pentegra's fiduciary and plan audit services can deliver compliance confidence for your clients.

# The Intricacies of Annual Plan Audits

## Pentegra's 3(16) Fiduciary and Plan Audit Services at Work

### Overview

Recently, Pentegra stepped in to help a client obtain the necessary plan audit information for a plan that had gone through a conversion. In reviewing the plan audit, we realized the auditor had mistakenly provided the plan sponsor a disclaimer, rather than an auditor's opinion.

Pentegra immediately brought the error to the attention of the plan sponsor, who wasn't even aware of the error. **Our fiduciary oversight helped them avoid a potential problem.**

We worked **directly** with the plan auditor on the client's behalf to obtain the correct plan audit opinion.

### How Pentegra Helps



Said the client, "I wanted to sincerely thank you and Pentegra's team for your invaluable assistance during the audit. Your expertise, quick and comprehensive responses to audit requests, and the way you masterfully and effectively coordinated the communication between all parties involved, were a huge help during the process."

**Pentegra's fiduciary and plan audit services can deliver compliance confidence for your clients.**

For Plan Sponsor and Advisor use only. This material is provided for informational purposes only and does not constitute investment, tax, legal, or accounting advice on the matters addressed.





# A Solution for Reducing Retirement Plan Risk, Responsibilities and Streamlining Complex Plan Audits

## The Value of a Professional Fiduciary

### Overview

A Pentegra enterprise recordkeeping partner recently reached out to our team about a plan that was at risk of leaving both the recordkeeper and their advisor. The recordkeeper was looking for a solution to retain the plan and maintain the relationship with the advisor.

The client's Controller, responsible for managing the plan on a day-to-day basis, struggled with not having enough time to focus on the plan in addition to balancing many other complex responsibilities within Human Resources.

The client also had a considerable amount of merger and acquisition activity, and as a result, significant issues with annual plan audits, because of the many moving parts involved in these transactions. Plan audits had begun to require a significant amount of time and had become overwhelming.

Most of all, the client was seeking a way to reduce their workload and fiduciary exposure in administering the plan.

### How Pentegra Helps



Pentegra's team provided a solution to these issues with its Comprehensive 3(16) Fiduciary Overlay Services. With Pentegra's Comprehensive 3(16) Fiduciary Overlay Services, **clients can offload retirement plan administrative responsibilities and liabilities and gain a level of comfort that these responsibilities—including plan audits—are being handled by an experienced professional fiduciary.**



As part of its Comprehensive 3(16) Fiduciary Overlay Services, Pentegra also provides plan audit support and **works directly with the independent plan auditor to make the process more streamlined and efficient, resulting in a far less intimidating experience for the client.** In the end, the client was pleased to offload much of the risk and responsibilities associated with administering their plan, and the recordkeeper and advisor were happy to retain the client.

### The peace of mind of having a professional on board.

For Plan Sponsor and Advisor use only. This material is provided for informational purposes only and does not constitute investment, tax, legal, or accounting advice on the matters addressed.



# Plan Document Consulting

# Plan Provisions...They Aren't Optional

## Pentegra's Plan Document Consulting Services at Work

### Overview

Pentegra's Consulting team conducted a document review for a large prospective client with over 300 employees. During the review, our team noted the plan document included an auto enrollment feature, to which the Director of HR responded, **“Yes, but we’ve never used it.”**

**As a 3(16) Fiduciary, we ensure that the provisions of the plan document are being followed.**

### How Pentegra Helps



The client hired Pentegra to resolve the issue. This required a multiple-year review of all 300+ employees and documenting whether the employee elected to participate or opted out. We not only saved the client hundreds of hours of time, but also steep potential monetary fines.

**Pentegra's 3(16) oversight can deliver compliance confidence for your clients.**

# Cash Balance



# Plan Fees vs. the Value of a Tax Shelter Easy Choice.

## Pentegra's Cash Balance Plan Solution at Work

### Overview

#### Building Value for Small Business Owners

Cash Balance plans can create valuable tax shelters for small business owners. Creating a compliant, well-designed plan with associated tax advantages requires high level expertise, and while it comes with an associated cost, it can be well worth the price.

Consider the following case study. In looking at a client's 5500 history, Pentegra noticed that the client had a traditional Defined Benefit plan that was administered by another provider. The plan was terminated in 2020, but it appeared that annual plan contributions were approximately \$250k.

The business owner is a lawyer so we can assume, conservatively, that they fall into a 40% combined tax bracket.

#### How Pentegra Helps



**A Cash Balance plan could create roughly \$100k of tax savings on \$250k of deposits. In our proposed design, we would also assume that at least 75% of a \$250k deposit goes to the business owner's account.**

Pentegra's oversight can deliver compliance confidence for your clients.