

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.



Plan Corrections—Plus a Process to Avoid Future Issues

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.

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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.

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Retirement Plan Audits – Timing is Everything

Give your clients relief with 3(16) fiduciary plan audit services from Pentegra.

Overview

Plan audits generally require a significant amount of time from employers who already have ongoing day-to-day job responsibilities. Audits are specific and time sensitive. The information requested during a typical plan audit alone can be overwhelming.

In one example, one of Pentegra's recordkeeping partners had previously had challenges keeping a particular client on track and filing their audit on a timely basis. In fact, they were never able to file the audit on time! But with our 3(16) fiduciary plan audit services, Pentegra was able to handle the process for them, **resulting in a much more efficient audit experience.**

How Pentegra Helps



As the 3(16) fiduciary, Pentegra takes as much of the audit work off the client's plate as possible, saving clients many hours of work. Pentegra works directly with the independent plan auditor. Pentegra's Account Manager acts as the dedicated contact for the auditor, answering questions and providing any requested and follow-up materials to the auditor.

Said our happy recordkeeping partner, "I know I've said this before, but it bears repeating. You have been a godsend with this audit. This is the first year we have filed on time. Even with starting in May every year, we could not keep them on task to file the audit timely. I know that your involvement made the difference. Thank you again for all your support."

Pentegra's 3(16) fiduciary services deliver a level of comfort that key retirement plan responsibilities—including the plan audit—are being handled for you.

The peace of mind of having a professional on board.

A Fresh Start for Plan Audit Challenges

Give your clients relief with 3(16) fiduciary plan audit services from Pentegra

Overview

Plan audits require a significant amount of time from employers who already have ongoing day-to-day job responsibilities. **Audits are specific and time sensitive.** The information requested by auditors alone can be overwhelming.

In one case, a new client that had recently contracted with Pentegra for 3(16) fiduciary services, was selected by the Department of Labor (DOL) to have their 2022 auditor's workpapers audited. The audit resulted in a **penalty of \$93,000!** Pentegra worked together with the client to have the 2022 workpapers revised and the 5500 refiled.

Today, the client is pending their DOL "court" date to appeal the penalty. Our goal is to help them get that penalty eliminated. The Pentegra team also worked with the client to hire a new auditor for the 2023 plan year, which resulted in the timely filing of their 5500 and a fresh start.

How Pentegra Helps



Pentegra's 3(16) fiduciary services deliver a level of comfort that key retirement plan responsibilities—including the plan audit—are being handled for you.

As the 3(16) fiduciary, Pentegra takes as much of the audit work off the client's plate as possible, **saving clients many hours of work.** Pentegra works directly with the independent plan auditor. Pentegra's Account Manager is the dedicated contact for the auditor, answering questions and timely providing any requested materials to the auditor.



Clients share their appreciation in many ways, in this case with flowers for our team member. Said the highly satisfied client, "Thank you so much for literally everything! You have made this horrible situation bearable. Your guidance has been so appreciated."

The peace of mind of having a professional on board.

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Saving a Client \$72,820 in Penalties

Give your clients relief with 3(16) fiduciary plan audit services from Pentegra

Overview

We recently partnered with a new client who had experienced significant plan compliance challenges prior to engaging our services, that had resulted in a substantial penalty.

The client filed their Form 5500 along with the required audit for their 2022 plan year. However, their plan was selected for an internal review by the Department of Labor (DOL). The DOL cited compliance issues, rejecting the 5500 due to material misstatements and accuracy of the auditor's workpapers. **The client was assessed a penalty of \$92,820.** After repeated, unsuccessful attempts to reach their former auditor, the client turned to Pentegra for guidance and support.



EMPLOYEE BENEFITS SECURITY ADMINISTRATION
U.S. DEPARTMENT OF LABOR

200 Constitution Ave. NW
Washington, DC 20210
202-693-8360
Email: DAS@DOL.GOV

- We Are Assessing a \$92,820 Penalty
- You Have Not Corrected the Rejected Annual Report
- You Have 30 Days From the Date of Receipt of This Notice to Contest This Penalty

**UNLESS YOU REQUEST A HEARING WITHIN 30 DAYS THIS PENALTY
WILL BECOME FINAL**

Our Approach

Pentegra's team stepped in to help rectify the plan audit issues and mitigate the penalty.

- ✓ **Audit Completion:** We assisted the client in preparing new workpapers, accurately calculating deferral amounts that had been overlooked—specifically, payrolls that included bonuses with no deferrals taken—and ensured all required documentation was properly in place.

- ✓ **Form 5500 Amendment:** We amended the initial 5500 filing and submitted the amended forms. We met with the DOL Representative and Plan Sponsor to review the workpapers and forms making sure the supporting documents and revised issued forms were in good order.
- ✓ **Penalty Payment & Abatement Letter:** Pentegra's team proactively submitted an abatement letter in 2024 requesting that the fine be waived based on our compliance efforts and supporting documentation.

How Pentegra Helps



The Outcome—\$72,820 Savings for the Client

In mid-March, the client's attorney met with our team. The good news—the DOL **accepted the corrected 5500 and our supporting materials.**

We discussed a suggested financial settlement. Given the cumulative costs already incurred by the plan sponsor — including our consulting team's work calculating missed deferrals, the cost of plan correction, and the additional expense for the audit, the client's attorney offered to settle for \$20,000. **The offer was accepted, saving the client \$72,820.**



This case underscores the importance of expert guidance using a 3(16) fiduciary in navigating IRS and DOL compliance—and the peace of mind a professional on board provides.

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.