



# THIRD PARTY PENSION ADMINISTRATORS AND CONSULTANTS

Collaborating with Professionals for Financial / Retirement Success & Asset Protection

**626.355.1690 • [www.mpssm.com](http://www.mpssm.com)**

# WHO WE ARE?

We at Millennium Pension Services, Inc. are ERISA Third Party Pension Administrators (TPAs) & Consultants. We take care of all aspects of regulatory compliance and documentation, while partnering with vendors that will handle the recordkeeping and custodian functions. The types of plans we administer are: owner only / solo plans, 401(k)s, 403(b)s, prevailing wage, DBPP/ CBPP /combo plans and closed MEPS.

Our clients range from owner only, small to mid-size businesses: Sole Proprietor, Partnership, C-Corporation, S-Corporation, LLC, Non-Profit, Professional Corporations (Attorneys/ Law Firms, CPAs, Doctors/ Medical Field / Engineering Firms, Financial Advisors), e- commerce, Food Industry, entertainment business, manufacturing and real estate firms – among others.

**On 401(K)/403(b)s and Profit-Sharing Plans** - we are able to work with various recordkeeping platforms including: One America, Cap Group/American Funds, Ameritas, Alerus, Ascensus, Aspire, Charles Schwab, Empower, John Hancock, Mass Mutual, Mutual of America, Mutual of Omaha, Newport Group, Nationwide, Principal, Transamerica, United Trust, Voya, 401(k) Direct and others for daily valuation services. Individual brokerage accounts may be offered.

**For owner only/solo plans** – these are usually directed by the trusted financial advisor.

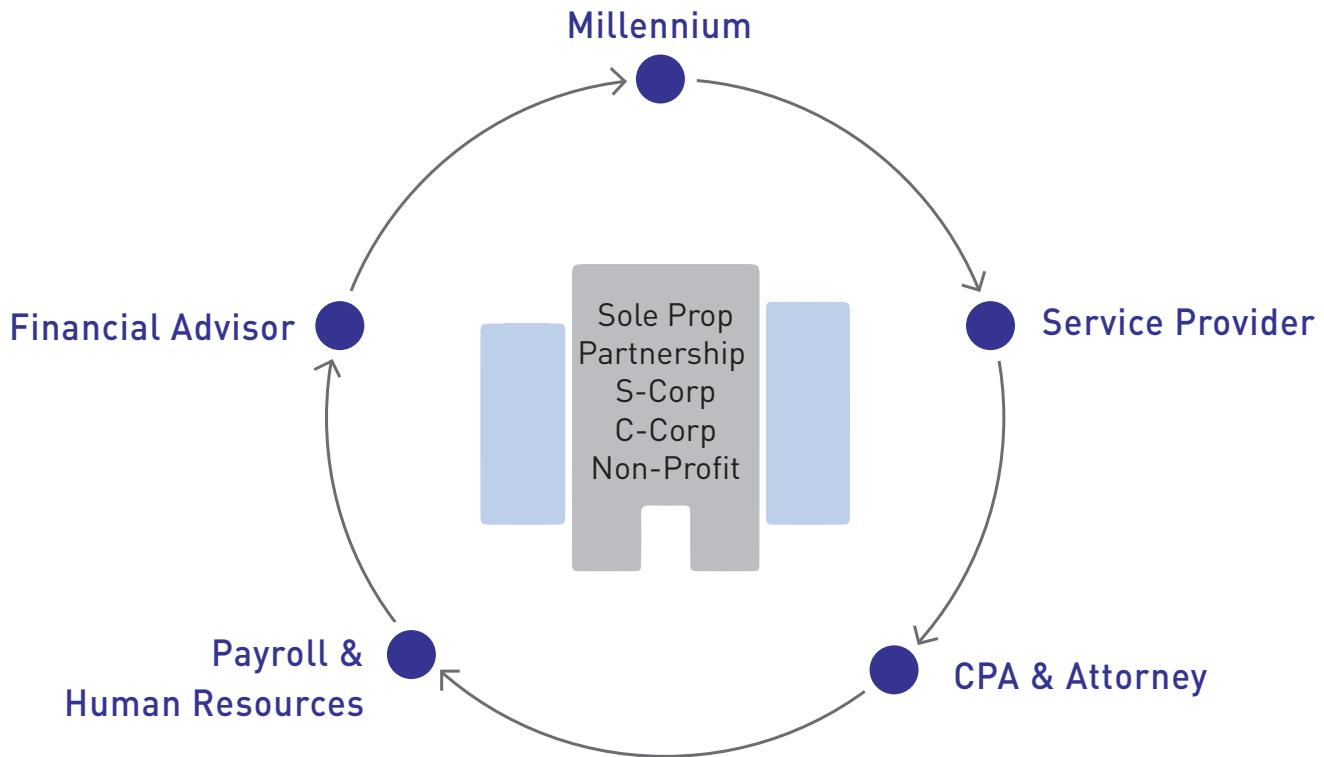
**For Cash balance Pension Plans/Defined Benefit Pension Plans** - the plan assets are trustee directed and held in a pooled account.

**Our clients are throughout the US including** - California, Alabama, Arizona, Connecticut, Florida, Georgia, Hawaii, Idaho, Illinois, Kansas, Michigan, New York, Nevada, North Carolina, Oklahoma, Texas, Tennessee, Utah, Virginia, Washington, and Wyoming. Furthermore, our senior staff at Millennium is familiar with many different firms and their methods and provides a greater deal of technical expertise than other small administration firms. We are here as a resource for you and your clients.

**A few highlights we would like to emphasize:**

- We have the technical expertise to handle all aspects of administration on all types of tax-qualified retirement plans
- We have an in-house actuary as well as a consulting actuary.
- We believe in personal service
- We do not sell investment products
- We offer the best possible services to our clients

Early on we recognized the fact that people do business with which they know, and trust. We have been building and maintaining relationships since that time. To take this full circle we take a collaborative approach to qualified retirement plans with our model – Collaborating with Professionals for Financial/Retirement Success & Asset Protection.



**Millennium Pension Services, Inc.**

- Plan Documents
- Plan Design/Redesign
- Actuarial Services
- Benefit Calculations
- Compliance with IRS & DOL rules and regulations
- Regulatory Reporting
- 408(b)(2) Fee Disclosures
- Personal/Quality Services
- Asset Protection

**Plan Sponsor**

- Possible Objectives:
- Maximize tax deductions
  - Maximize contributions for owners/shareholders
  - Provide retirement income/security
  - Recruit and retain key employees
  - Motivate and reward employees
  - Asset protection
  - Savers tax credit of 5K for each year 2020, 2021 and 2022
  - Alternate to CalSavers
  - Asset Protection

**Service Provider**

- Functions:
- Investment selection and Monitoring
  - Investment Policy Statement
  - Employee enrollment and communications tools including QDIA
  - Participant-level recordkeeping
  - 1099R etcetera on distribution of benefits
  - Automatic Enrollment
  - 404(a)(5) – Participant Disclosures
  - Fiduciary Services
  - 408(b)(2)

**Financial Advisor**

- Possible responsibilities:
- Investment Guidance
  - Enrollment
  - Participant Education
  - Monitoring and Review
  - Select QDIA
  - Asset Protection

**ATTORNEY**

- Legal Advice
- Plan Documents
- Estate Planning

**CPA**

- Possible Objectives:
- Maximize / generate deduction
  - Short Turnaround Time for projections / proposals
  - TPA available for questions
  - Asset protection

**Payroll/ Human Resources**

- Possible Objectives:
- Human Resources
  - File Exchange
  - Remote Payroll Data Entry
  - ACH Services
  - Payroll Integration

\*For 2022 : CalSavers Program mandatory for Employers with 5+ EEs or Employer implements a qualified retirement plan prior to 6.30.2022

\*Savers tax credit -\$250.00 per EE up to \$5K for each year 2020, 2021 and 2022

\* 2024 – Employees working 500 hours eligible to participate in 401k EE deferrals ( track hours: 2021 ,2022 and 2023 )

## THERE ARE MAJOR CHANGES IN THE RETIREMENT INDUSTRY: CALSAVERS PROGRAM, SETTING EVERY COMMUNITY UP FOR RETIREMENT ENHANCEMENT (SECURE) ACT, THE CARES ACT AND SECURE 2.0. *WHERE DO WE GO FROM HERE?*

### **To the Employer/Plan Sponsor**

- Employer contributions are tax deductible.
- Assets in the plan grow tax-free. A retirement plan can attract and retain key employees.
- The plan can be structured to accumulate significant benefits for selected employees.
- Under the SECURE ACT a company can claim a minimum of \$500 up to \$5,000 annually in a federal tax credit when starting or participating in a new 401(k) plan. If the plan has an automatic enrollment feature (where employees are put right into the 401(k) plan, unless and until they opt out), then another \$500 annual federal tax credit is available. A company could be entitled to \$16,500 in federal tax credits over a three-year period for offering a retirement plan to its employees.
- There are 2 benefits here – a company can claim federal tax credits as well as federal tax deductions. A federal tax credit reduces tax liability dollar for dollar, whereas a federal tax deduction reduces the amount of taxable income.
- Set up a 401(k) plan in response to the Calsavers Program. There are 9 states and 1 city with enacted mandated IRAs (CA, IL, OR, CO, CT, MD, NJ, NY, VA and Seattle, WA). If employer does not sponsor a retirement plan, employees are mandated to participate in the state program.
- For CA: employers with 50 or more employees – the deadline is 6.30.2021.

### **To the Employee/Plan Participant**

- Tax on employee contributions is deferred until distributed.
  - Investment gains in the plan are not taxed until distributed.
  - Contributions are payroll deductions.
  - Roth – after tax deferral allowed.
  - Provides a way to accumulate substantial retirement income.
  - Plan benefits are protected under ERISA from creditors.
  - Some 401(k) savers may also be eligible for an additional tax credit, simply for saving
- <http://www.irs.gov/taxtopics/tc610.html>

## DEFINED BENEFIT (DB) PLAN

In a defined benefit plan, the plan defines the benefit that will be paid at retirement age (or earlier separation from employment). An actuary determines the annual amount that must be deposited into the plan on an annual basis to provide the benefit called for under the terms of the plan. In addition to the benefits to be paid, the actuary takes into account an expected rate of return and other factors (e.g., mortality) when determining the required contribution each year. The actual investment results serve to cause the required contribution to increase or decrease from year to year based on whether or not they exceed the actuary's projected returns. The investment results do not alter the benefit the employee receives, as the benefit the employee receives is determined solely by the benefit stated in the plan document. Because the employer is liable for providing that benefit, regardless of investment earnings, all investment risk is borne solely by the employer.

### Traditional Defined Benefit Plan

- As a general rule, traditional DB plans will have a uniform retirement benefit formula that applies to all participants. A participant will receive a retirement benefit defined as some percentage of pay or some flat dollar amount.

### Cash Balance Plan

- In a cash balance plan a "theoretical" account balance (or "TAB") is maintained on behalf of each participant. On an annual basis the TAB is credited with a "compensation credit" and an "interest credit." The compensation credit can be a flat dollar amount or a percentage of pay and can vary by employee. The interest credit is determined by the plan document, and normally will be based on a conservative index, such as the rate on 30-year U.S. Treasury Securities.

## COMBINATION PLAN *(defined benefit and defined contribution (DC) plans paired)*

With the repeal of the 415(e) rules for plan years beginning after December 31, 1999, many employers find by sponsoring a defined benefit (traditional or cash balance) and a profit sharing or 401(k) plan, they can provide additional retirement benefits for selected employees. By leveraging the benefits provided to employees in the profit-sharing plan, the employer can sometimes provide additional valuable benefits to key employees in the defined benefit plan, sometimes amounting to hundreds of thousands of dollars.

## 401(K) PLAN *There may be 3 components: Employee Deferrals/ Safe Harbor / Employer Profit sharing.*

A 401(k) plan is a type of profit-sharing plan that allows eligible employees (i.e., employees eligible to participate in the plan) to make pre-tax and / or post-tax elective deferrals through payroll deductions. Employers have the option of making contributions on behalf of all participants based on employees' elective deferrals.

To satisfy the Internal Revenue Service (IRS) Actual Deferral Percentage (ADP) and Actual Contribution Percentage (ACP) tests- ensuring all employees (Owners + HCEEs and NON HCEEs) can defer the maximum amount - the employer may adopt a Safe Harbor (SH) plan. The SH plan automatically satisfies the ADP / ACP tests.

Safe Harbor contributions are 100 % vested. There are 2 types of SH Plans.

The 3 % Safe Harbor Nonelective (SHNEC) that is allocated to all eligible employees or

The SH MATCH – where only the employees who make a deferral will get the match generally up to 4% of pay.

## **PROFIT SHARING PLAN COMPONENT IN 401(K) PLAN OR STAND-ALONE PLAN**

A profit-sharing plan is a retirement plan to which an employer makes contributions on behalf of all of the eligible employees. The contribution amounts are discretionary. The employer decides each year the amount, if any, to be contributed to the plan. For tax deduction purposes, the company contribution cannot exceed 25% of the total compensation of all eligible employees. The company contributions can be subject to a vesting schedule that provides that an employee's right to the contribution becomes nonforfeitable only after a period.

## **PREVAILING WAGE (PW) PLAN:**

Employer saves on payroll taxes and workers compensation.

## **PLAN DOCUMENT PREPARATION & MAINTENANCE**

IRS rules require retirement plans to have a written document to formalize how the plan will operate. Once we have finalized the plan design to your satisfaction, we will prepare the necessary plan document, resolutions, amendment, and trust agreement. Our plan documents have been pre-approved by the Internal Revenue Service (IRS).

In the future, your retirement plan needs may change. We will review your plan to make sure the design meets your needs and, if necessary, we will suggest amendments to improve the design. In addition, please be assured that we will make sure your plan is always in compliance with IRS regulations.

## **ADMINISTRATION & PLAN COMPLIANCE**

Annual administration of retirement plans is a huge responsibility, and our role is to streamline the processes for you. Our professionals know your time is valuable and will do their best to make your retirement plan run as smoothly as possible. We will collect necessary information from you efficiently, explain issues to you, and provide you with reports that are easily understood. We understand you have a business to run, and your retirement plan is not your priority – it is ours.

Annual administration includes the following:

- Collecting employee census data
- Calculating employee eligibility, plan entry and annual contribution requirements
- Allocating employer Profit Sharing Contributions, Plan Forfeitures, Investment Earnings (DC plans)
- Calculating Benefit Accruals (DB plans)
- Determining and maintaining vesting records
- Reconciling plan assets

Prepare reports including:

- Annual report detailing all activity for the plan year (DC plans)
- Actuarial valuation report (DB plans)
- Annual employee certificates
- IRS Form 5500, with attachments, including the necessary actuarial certification (DB only)
- The required Summary Annual Report
- PBGC Form 1 filing (covered DB plans only) when required.
- Distributions/ Loans and Hardship Withdrawals

## Annual compliance testing and reporting includes the following:

- Testing for compliance with IRC 402(g) deferral and 415 annual addition and maximum benefit limitations
- Ensuring tax deductibility of contributions as determined under IRC 404.
- Testing for coverage under 410(b)
- Testing and ensuring compliance as to the amount of the employer-provided benefit under 401(a)(4)
- Top Heavy Tests under 416
- ADP/ACP Tests under 401(k) and 401(m) for non-Safe Harbor Plans

## DEADLINES

As a plan administrator, several deadlines arise throughout the year for Reporting and Disclosure. The most common among these is the filing of Form 5500, required on all qualified retirement plans subject to Title 1 of ERISA, the Employee Retirement Income Security Act of 1974. The Form 5500 is due 7 months after the close of a plan year, with the ability to extend an additional 2 ½ months.

### Other deadlines to remember:

- Summary Annual Report (SAR) - must be disbursed to participants no later than 10 months following the last day of the plan year end.
- Summary Plan Description - must be provided to a participant no later than 90 days after becoming a participant or within 120 days after the plan first becomes subject to the Disclosure requirements of ERISA.
- Safe Harbor Notices - at least 30 days, but no earlier than 90 days prior to an employee's date of participation.
- Salary Deferral (401(k)) Deposits - ERISA has defined assets of a retirement plan as "amounts that a participant has withheld from his or her wages by an employer, for contribution to the plan as of the earliest date on which such contributions can reasonably be segregated from the employer's general assets" [Reg §2510.3-102(a)]. Per IRS: deposits must be made no later than the 15th business day of the month following the month in which the participant contribution amounts are received by the employer" [Reg §2510.3-102(b)]. Failure to transmit salary deferrals in a timely manner results in a prohibited transaction and a fiduciary breach. Note- the general rule by the DOL has consistently applied a more restrictive definition for the earliest date salary deferrals "can reasonably be segregated from the employer's general assets." Usually within 5 business days.

## LIMITATIONS

- In working with your qualified plan, the plan, the plan sponsor, and the participants will be subject to a host of limitations.
- To view the most recent dollar limitations as set by the Internal Revenue Service, click the link below.  
<http://www.irs.gov/retirement/article/0,,id=96461,00.html>

## FIDUCIARY DUTIES

As a plan sponsor, plan trustee, plan administrator, investment advisor, you may very well become a fiduciary to the plan. This is a very important role to play, and in addition to the responsibilities outlined in the plan document, the Department of Labor provides additional relevant information at <http://www.dol.gov/ebsa/publications/fiduciaryresponsibility.html>.

## PENSION BENEFIT GUARANTY CORPORATION (PBGC)

If the plan sponsor is not a professional Corporation, then the plan must be insured by the PBGC. The premium is about \$80.00 per participant. For the first year of the plan the PBGC filing will be due 90 days after the plan has been executed. Thereafter, the PBGC filing will be due by October 15th, annually.

## BOND REQUIREMENTS

In compliance with the terms and conditions set forth by the Employee Retirement Security Act (ERISA), the plan is required to obtain a fidelity bond. ERISA requires that every “fiduciary” and “every person who handles plan funds” be bonded. The bond must protect the plan against loss of assets due to “acts of fraud or dishonesty on the part of the plan official, directly or through connivance with others.” The amount of coverage must equal at least 10% of the plan assets. Since the bond may be purchased for a three-year period, you may want to increase the amount of bond to cover the future increase of the plan’s assets.

### 2021 Calendar Year Plan total annual contributions that can be made by an individual business owner to various plans (subject to current IRS limits) Cash Balance Combo 401(k) Plan For Owner only

Age*	Comp	ANNUAL CONTRIBUTION TO PLANS			Annual Contribution	RETIREMENT SAVINGS	Annual Tax Saving (40% Tax Rate)
		401(k)	Profit Sharing	CB Plan		Projected Lump Sum from 401(k) Plan**	
35	290,000	19,500	17,400	75,400	92,800	2,451,593	37,120
40	290,000	19,500	17,400	98,600	116,000	1,761,130	46,400
45	290,000	19,500	17,400	127,600	145,000	1,220,134	58,000
50	290,000	26,000	17,400	162,400	179,800	936,510	71,920
55	290,000	26,000	17,400	208,800	226,200	545,881	90,480
60	290,000	26,000	17,400	266,800	284,200	239,812	113,680

Note - if there are other eligible employees (rank and file employees)- The simplest way to understand what your obligation might be is to factor in: CBPP: 2 % employer contribution to all eligible rank and file employees 401(k): an employer contribution between 6% and 7.5 % to all eligible rank-and-file employees.

Eligible employee: age 21, 1 year of service with 1000 hours and enters plan semiannually.

\*Plan Sponsorship Beginning Age \*\* Assuming annual gain of 5%

Traditional Defined Benefit Plan's express participant monthly benefits payable for life after attaining normal retirement age. It is the benefit that is defined and not the contribution. The annual contribution cannot be strictly attributed to an individual participant (contribution illustrated is hypothetical in character) and should not be construed as the amount payable to an individual participant or his/her "account balance".

Notice: The Department of Treasury recently revised guidelines for tax practitioners known as Circular 230. In accordance with these guidelines, you are hereby advised that any tax advice contained in this communication, including any attachments is not intended or written to be used, nor can it be used for the purpose of (i) avoiding any tax-related penalties under the Internal Revenue Code or (ii) to support, market or recommend any tax-related matters contained in this communication.



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