



Thank you for joining us!

The presentation will begin shortly.



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2023 Best Firms to Work For

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2024 Firms to Watch

accountingTODAY

2024 Regional Leaders

2024 Update on Retirement Plans

Thursday, May 16, 2024



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Meet the instructors



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Housekeeping

Additional Information

Learning Objective To provide a comprehensive overview of changes to retirement plans for 2024.	Instructional Delivery Methods Group Internet-based
Recommended CPE 1 CPE Credit	Recommended Fields of Study Specialized Knowledge
Prerequisites None required	Advance Preparation None
Program Level Basic	Course Registration Requirements None
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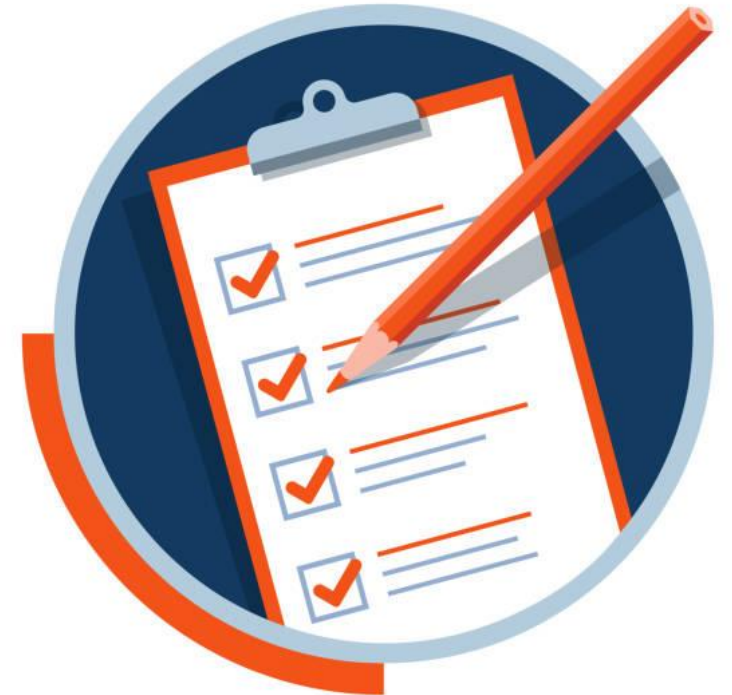
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Topics

1. DOL Cyber Best Practices
2. Secure Act 2.0
3. Form 5500 Updates and Changes
4. What's on the Horizon?



DOL Cyber Best Practices

Overview and Recap



DOL Cyber Security Background

DOL's view on Cyber Security for Plans



The DOL and EBSA are currently in the process of conducting a study on **Cyber Security** related to retirement plans and what procedures service providers and plan administrators have in place.



Currently, there is no formal guidance on what the DOL and EBSA would expect as far as a minimum requirement for **Cyber Security controls**. They will most likely issue formal guidance upon conclusion of their research.



DOL Cyber Security Background

DOL's view on Cyber Security for Plans

Management/Plan administrators are responsible for ensuring plan compliance and for the administration of the plan, **even** if outsourced to a third party institution. The onus falls on the employer. And this includes establishing internal controls around cyber and data security or ensuring that the service provider has good controls in place.

Department of Labor Resources

- [Tips for Hiring a Service Provider](#): Helps plan sponsors and fiduciaries prudently select a service provider with strong cybersecurity practices and monitor their activities, as ERISA requires.
- [Cybersecurity Program Best Practices](#): Assists plan fiduciaries and record-keepers in their responsibilities to manage cybersecurity risks.
- [Online Security Tips](#): Offers plan participants and beneficiaries who check their retirement accounts online basic rules to reduce the risk of fraud and loss.



DOL Cyber Security Background

DOL's view on Cyber Security for Plans



EMPLOYEE BENEFITS SECURITY ADMINISTRATION UNITED STATES DEPARTMENT OF LABOR

CYBERSECURITY PROGRAM BEST PRACTICES

ERISA-covered plans often hold millions of dollars or more in assets and maintain personal data on participants, which can make them tempting targets for cyber-criminals. Responsible plan fiduciaries have an obligation to ensure proper mitigation of cybersecurity risks.

The Employee Benefits Security Administration has prepared the following best practices for use by recordkeepers and other service providers responsible for plan-related IT systems and data, and for plan fiduciaries making prudent decisions on the service providers they should hire. Plans' service providers should:

1. Have a formal, well documented cybersecurity program.
2. Conduct prudent annual risk assessments.
3. Have a reliable annual third party audit of security controls.
4. Clearly define and assign information security roles and responsibilities.
5. Have strong access control procedures.
6. Ensure that any assets or data stored in a cloud or managed by a third party service provider are subject to appropriate security reviews and independent security assessments.
7. Conduct periodic cybersecurity awareness training.
8. Implement and manage a secure system development life cycle (SDLC) program.
9. Have an effective business resiliency program addressing business continuity, disaster recovery, and incident response.
10. Encrypt sensitive data, stored and in transit.
11. Implement strong technical controls in accordance with best security practices.
12. Appropriately respond to any past cybersecurity incidents.



Cybersecurity Best Practices for Retirement Plans

Overview

- DOL Best Practices
- Understanding your organization's context and custom-tailoring your cybersecurity program
- Understanding the roles of management versus roles of outside parties
- Policy Template Links:
 - [SANS Institute Templates](#) - Free
 - [ISACA Policy Toolkit](#) - \$50 for non-ISACA members



Cybersecurity Best Practices for Retirement Plans

Policies and Procedures

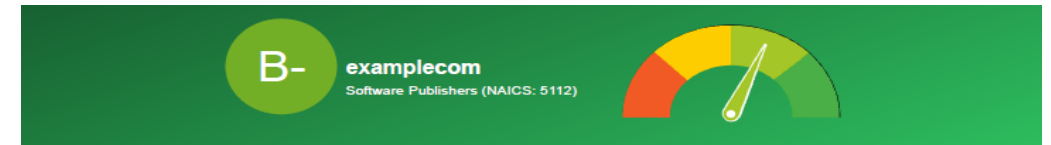
- 1. Have a formal, well documented cybersecurity program
 - Formally developed policies and procedures for the organization
 - Addresses all cyber controls implemented by an outside party or by the organization
- 4. Clearly define and assign Information Security roles and responsibilities
 - Accountability for all employees (not just IT professionals)
 - Delineate between internal staff and external provider roles
- 5. Have strong access control procedures
 - Periodic review of access rights
- 7. Conduct periodic cybersecurity awareness training
 - Onboarding, annually, ongoing phishing simulations
- 8. Implement and manage a secure system development life cycle (SDLC) program
 - Identify ways to automate, optimize, and continuously improve upon the existing infrastructure and practices
- 10. Encrypt sensitive data stored and in transit
 - Define risk classification methodology and assign to data
- 11. Implement strong technical controls in accordance with best security practices



Cybersecurity Best Practices for Retirement Plans

Risk Management

- 2. Conduct prudent annual risk assessments
 - Identify deficiencies for remediation
 - Identify areas for improvement/automation/optimization
- 3. Have a reliable annual third-party audit of security controls
 - Independent cybersecurity assessment
- 6. Ensure that any assets or data stored in a cloud or managed by a third-party service provider are subject to appropriate security reviews and independent security assessments
 - Review of SOC I & II Reports
 - Financial viability and other items



How to read this report?

This report evaluates the security posture for 4 main groups namely Safeguard, Privacy, Resiliency & Reputation and 20 unique categories. This data is compiled into a simple, readable report with letter-grade scores to help identify and mitigate potential security risks. Each category has summary or top riskiest assets and technical details along with mitigation, compliance, standards & regulation details can be found at the bottom of the each category and the Knowledge Base. ⓘ

Safeguard	Privacy	Resiliency	Reputation
i Digital Footprint	C SSL/TLS Strength	A Attack Surface	A Brand Monitoring
A Patch Management	B Credential Mgmt.	B DNS Health	B IP Reputation
D Application Security	D Hacktivist Shares	C Email Security	A Fraudulent Apps
D CDN Security	D Social Network	B DDoS Resiliency	D Fraudulent Domains
B Website Security	D Information Disclosure	B Network Security	A Web Ranking

Data Breach Index (DBI): 0.877 ⓘ



Ransomware Susceptibility Index (RSI): 0.238 ⓘ ?



Cybersecurity Best Practices for Retirement Plans

Business Resiliency and Incident Response

- 9. Have an effective business resiliency program addressing business continuity, disaster recovery, and incident response.
 - Clearly defined roles and responsibilities
 - Tabletop scenarios
 - Log of incidents, response time, business impact, root-cause
- 12. Appropriately respond to any past cybersecurity incidents
 - After Action Report
 - Root-cause and business impact analysis



Communicating IT Items to the Board

Education, Monitoring, and Reporting

Education:

- SAS 145 and Auditor Comments
- High-level overview of processes implemented by management

Monitoring and Reporting

- Leverage existing meetings
- Set as a recurring agenda item
- Top Risks and Mitigation Plans
- Avoid getting too granular
- Break it down in simple terms (avoid technical jargon)
- Dashboards



Polling Question #1

Do you follow a specific framework for your Information Technology / Cybersecurity Program?

- A. *NIST*
- B. *ISO*
- C. *COSO*
- D. *Other*
- E. *We rely on our Managed Service Provider and Third-Party Administrator's policies and program*
- F. *No / Unsure*



Secure Act 2.0



Background of Secure 2.0

Setting Every Community Up for Retirement Enhancement (SECURE) Act 2.0

- Passed by Congress on December 29, 2022
- Ultimate goal to help Americans better prepare for retirement by:
 - Getting people to save more for retirement plans
 - Improving the retirement rules
 - Lowering the Employer cost of setting up a retirement plans
- The Act has over 90 provisions that will go into effect starting immediately through 2027
- Plan amendments generally need not be made until the end of the first plan year beginning on or after January 1, 2025;
however, plans must be operated in accordance with the effective date of each new provision!



Audit Requirement Changes

- Previous guidance, required to undergo an audit if you had at least 100 eligible plan participants (exception 80/120 rule)
- Effective for plan years beginning on or after Jan 1, 2023, the Plan is required to undergo an audit if it has over 100 participants with an account balance at the beginning of the plan year



Key Provisions of the SECURE Act 2.0



Required Minimum Distributions

Increases age to 73 starting January 1, 2023

Section 107 increases this age requirement to 75 by 2033

Reductions of excise tax from 50% to 25% for those that fail to take RMD



Catch-Up Contributions

People aged 50 or older can make a \$7,500 catch-up contribution.

Starting [Jan. 1, 2025](#), the catch-up contribution increases to \$10,000 annually for those aged 60 to 63

Catch-up contributions must go into Roth if your over 50 and made over \$145k in prior year (2026)



Auto-Enrollment

New plans must have an auto-enrollment feature – 3-10%

Exclusion for new companies less than 3 years old or companies with <10 employees

Effective for plan years beginning after [December 31, 2024](#)



Long-Term, Part-Time Employee Rules

- **Employees** with 500 hours or more for 2-consecutive 12-month periods **must be able to participate in plan.**
- **ER** not required to enroll those under 21
- **ER contributions not required**, not included in nondiscrimination compliance testing.
- Effective for plan years beginning **January 1, 2024**



Matching on Student Loan Payments



- Allows **student loan payments to be treated as elective deferrals** for purposes of matching contributions
- Participant must **certify annually** that a payment was made (subject to future regulations)
- Participants are allowed to claim **within three months** after the plan year
- Must be **offered to any eligible employee** participating in the Plan
- Effective for plan years after **December 31, 2023**

Savers match program

- Funded by federal government
- Current law provides for a tax credit
- Under SECURE 2.0, changes it from a tax credit paid in cash as part of a tax refund to a federal matching contribution to be deposited the taxpayer's Plan
- 50% match on contributions up to \$2k per person
- Match phased out between \$41k - \$71k for joint filers (half for singles)
- Effective in 2027



Auto-Portability Provision

- DOL announced Jan 18, 2024 the proposed regulation
- Automatically transferring workers' retirement savings from their safe harbor IRA to their active account in a retirement plan sponsored by their new employer
- Allows an automatic portability **provider to receive a fee** in connection with executing an automatic portability transaction for certain distributions into Safe Harbor IRAs
- Increased the minimum auto-portability account value **threshold to \$7,000 from \$5,000.**



New Distribution Types Allowed



- Emergency Expenses Distribution – up to \$1,000/year (available for distributions made after 12/31/2023)
- Disaster-Related Distribution – up to \$22k
- Domestic Abuse-Related Distribution - up to \$10K (available for distributions made after 12/31/2023)
- Terminal Illness-Related Distribution – repayable and penalty free (effective upon enactment Dec 29, 2022)
- Long-term Care Premium-Related Distribution – up to \$2,500 (effective after 12/29/2025)

Polling Question #2

Have you formally amended your plan to comply with Secure Act 2.0?

- A. *Yes*
- B. *No*
- C. *Unsure*

Form 5500 Updates



Form 5500 Changes and Updates

Introduction

The Form 5500 series is part of ERISA's overall reporting and disclosure framework, which is intended to assure that employee benefit plans are operated and managed in accordance with certain prescribed standards and that participants and beneficiaries, as well as regulators, are provided or have access to sufficient information to protect the rights and benefits of participants and beneficiaries under employee benefit plans. The DOL, IRS, and the PBGC jointly developed the Form 5500 Series so employee benefit plans could satisfy annual reporting requirements under Title I and Title IV of ERISA and under the Internal Revenue Code. The Form 5500 Schedules and Instructions are available at the DOL Employee Benefit Security Administration (EBSA) 5500 website. The DOL EBSA made changes to the 2023 Form 5500. The following slides will highlight some of those changes.



Form 5500 Changes and Updates

Change in participant count methodology

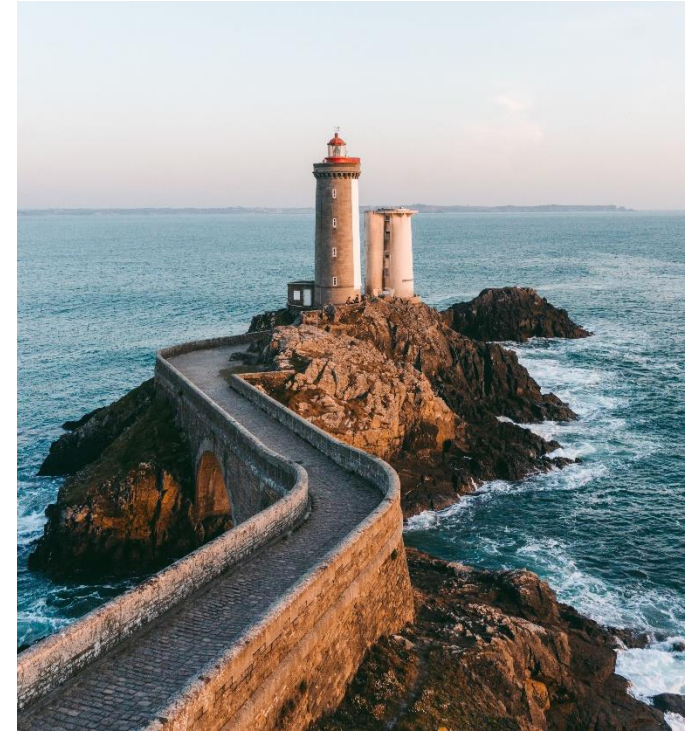
Change in DC retirement plan participant counting methodology. The number of participants with account balances as of the beginning of the plan year will now be used in counting participants. The change will affect Line 5 and 6 in the Form 5500.



Form 5500 Changes and Updates

Change in participant count methodology

Before, individuals were considered participants of a defined contribution retirement plan when they have satisfied the plan's age and service requirements for participation (i.e., eligible to participate), even if they have elected not to participate in the plan.



Form 5500 Changes and Updates

Consolidated Form 5500 reporting options

Consolidated Form 5500 reporting option for certain groups of defined contribution (DC) retirement plans. A defined contribution group (DCG) treated as new type of DFE is required to:

- To be eligible to file a consolidated Form 5500 as a DCG, a group of defined contribution plans must have (1) the same administrator, (2) the same named fiduciaries, (3) the same trustee, (4) the same plan year, and (5) the same investments or investment options.
- File Form 5500 under large DC plan rules. Schedule(s) DCG must be attached to a Form 5500 filed for a DFE that has checked the box in Part I, line A and specified the report is for a DCG reporting arrangement.
- Report specific plan level information on **new Schedule DCG** for each individual plan in the DCG, including an audit report for each applicable plan.. Each plan participating in the DCG must individually complete a Schedule DCG to be attached to the Form 5500.



Form 5500 Changes and Updates

Consolidated Form 5500 reporting options - continued

- Schedule DCG, Part VI addresses Compliance Questions, including the timeliness of remittances, nonexempt transactions with a party-in-interest, and fidelity bond coverage (same questions in Schedule R, now required for DCG).
- Schedule DCG, Part VII is the Accountant Opinion Information for Participating Plans. A DCG participating plan must be audited and an Independent qualified public accountant (IQPA) report and audited financial statements for such plan must be attached to the Schedule DCG for that participating plan unless the plan is a small plan eligible for the waiver of the annual examination and report. The audit and its report must follow the same rules as required for a plan that is filing its own Form 5500 Annual Return/Report and not having any of its reporting obligations satisfied by the filing of a Form 5500 by a DCG.



Form 5500 Changes and Updates

Schedule MEP – Multiple-Employer Retirement Plan Information

- Improve Reporting by Multiple Employer Plans (MEPs), including Pooled Employer Plans (PEPs)
- Schedule MEP, *Multiple-Employer Retirement Plan information*, added to Form 5500 and consists of 3 Parts. Required to attach a list of participating employer information in accordance with the Form 5500 instructions. The Form 5500 instructions detail the information and format to be included in this attachment, *Multiple-Employer Plan Participating Employer Information and Pooled Employer Plan/ Pooled Plan Provider Information*.
 - A new checkbox added to Form 5500 to indicate that Schedule MEP is attached (in Part II, line 10a(5)).



Form 5500 Changes and Updates

Additional changes



- Additional categories added to Schedule H breakout of “Administrative Expenses” category of the Income and Expenses section of the Schedule H balance sheet.
- Further improvements in financial and funding reporting by PBGC-covered defined benefit plans.
- Changes to Schedule R reporting requirements based on the type of plan. Schedule R now includes several new IRS tax compliance questions that concern three major areas: non-discrimination testing, ADP testing and pre-approved plan letters Part VIII. Based on the type of Plan, other Parts will need to be completed.



Form 5500 Changes and Updates

Additional changes

1) Is the plan a defined contribution plans not subject to minimum funding requirements? If so, Part I line 2, the EIN, is the only item needed on Schedule R. 2) Is the plan subject to minimum funding requirements? If so, Parts II and III will be completed with information provided by the plan's actuarial firm. 3) Is the plan an ESOP? If so, Part IV should be completed. 4) Is the plan a multiemployer defined benefit pension plan? If so, Part V should be completed.

- Part II, Line 8a and 8b addresses characteristics codes. Each code has both a number and letter designed-based identifier related to specific features of the plan that are not necessarily indicative of actual compliance.



Form 5500 Changes and Updates

Personally identifiable information (PII)

Form 5500 instructions specifically indicate that PII should not be included with the filing (Because the Form 5500 filing is made publicly available)

DOL has identified numerous Form 5500 filings containing PII and Plan administrators' risk having their Form 5500 filings rejected and/or civil penalties being assessed.



Polling Question #3

Are you ensuring the removal of personal information from your Form 5500?

- A. *Yes*
- B. *No*
- C. *Unsure*

What's on the Horizon?



On the Horizon and Other Items

- SAS 147: Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance With Laws and Regulations (NOCLAR)
- Voluntary Fiduciary Correction Program
- Prohibited Transaction Exemption
- 403(b) Plan Determination Letters
- DC Plan contributions receivable recommendation from FINREC



SAS 147



- Effective for periods ending on or after June 30, 2023
- SAS 147 narrowly revises auditing standards generally accepted in the United States of America (GAAS) to **require** a successor auditor to make inquiries of the predecessor auditor regarding identified or suspected fraud and matters involving NOCLAR.
- The predecessor auditor is **required** to respond to those inquiries.
- In addition, the successor auditor should document the inquiries of the predecessor auditor and the results of those inquiries.

DOL Proposed changes to add self-correction to VFCP

DOL Proposal was released in November 2022 and written comments were due on or before April 17, 2023.

DOL will notify the public of the final regulation in a subsequent Federal Register document.

- DOL proposed adding a self-correction component to the Voluntary Fiduciary Correction Program (VFCP)
- The proposal also expands the types of transactions covered under VFCP
- Adds conditions for self-correction of delinquent contributions and loan repayments
 - ✓ Correction to take place within 180 days from the date of withholding or receipt
 - ✓ Lost earnings cannot exceed \$1,000
- Self-correcting plans would be required to
 - ✓ Use VFCP online calculator to determine lost earnings
 - ✓ Use online portal to file a notice of the correction with DOL
 - ✓ Complete and retain the self-correction retention record checklist



DOL proposed changes to Prohibited Transaction Exemption

- Proposed amendment to PTE 2002-51 (Prohibited Transaction Class Exemption)
- The amendment will allow an employer to obtain excise tax relief for self-corrected late contributions meeting certain conditions
- Self-correcting plans would notify the DOL that a correction has taken place via an online portal
- Employer-sponsored plans are currently only allowed to apply to one such voluntary correction every three years
- The amendment would eliminate a cap on the total number of similar voluntary corrections the agency will process for a single plan



403(b) Plan Determination Letters

- IRS released Rev. Proc. 2022-40 on November 7, 2022
- Sponsors of individually designed 403(b) plans may request a determination letter for a new plan or for terminating a plan using the same program currently used by 401(k) plans and other plans qualified under 401(a)
- Timing of request to the IRS will depend on the last 3 digits of the plan sponsor EIN.
 - ✓ EIN ending in 1, 2, or 3 may begin requesting determination letters starting June 1, 2023 (started last year)
 - ✓ EIN ending in 4, 5, 6, or 7 must wait until June 1, 2024
 - ✓ EIN ending in 8, 9, or 0 must wait until June 1, 2025
- Terminating 403(b) plans may request a plan termination letter without regard for EIN beginning June 1, 2023



Defined Contribution Plan Contributions Receivable Recommendation from FinREC



AICPA's Financial Reporting Executive Committee (FinREC) believes a DC plan can elect to recognize the employee and the related employer matching contribution one of two ways:

1. In the period related to the participant's service or compensation (even if not withheld) OR
2. In the period the employee contribution is withheld

Regardless of which accounting policy is established, FinREC believes:

- The plan's accounting policy for recognizing contributions receivable should be applied on a consistent basis AND
- The plan should consider whether the policy is a significant accounting policy that should be disclosed in the notes to the financial statements.

Polling Question #4

If you have a 403(b) Plan, are you excited about being able to get a determination letter?

- A. *Yes*
- B. *No*
- C. *Unsure*

Questions?

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