

Account Adjustments

Retirement Account Adjustments to Accurately Reflect Balances



The balances in a Qualified Retirement Plan are subject to special tax and other complex rules, and the amounts for each participant must be accounted for in a very specific way to ensure compliance with these rules.

Why Are Account Adjustments Often Required?

Each year JULY performs a review of participant accounts to ensure the amounts have been accounted for properly by the plan's recordkeeper. We check the following items:

- **Source Accounting** – We ensure the source of funds (After-tax, Deferral, Roth Deferral, Employer Match, Employer Profit Sharing) have been properly segregated and accounted for to allow compliance with distribution, vesting, and taxation rules.
- **Contribution Funding** – We verify that each participant's account was actually credited with the amounts withheld from their paychecks as reported on the annual census. We also check to ensure employer contributions are properly calculated and credited to each participant.

What Causes the Adjustments to Be Needed?

Operating a retirement plan is complex and requires the employer to make many calculations and transactions throughout the year. Below are some of the most common errors found that cause the need for annual Account Adjustments.

- **Deposit to Wrong Participant** – Occasionally we find that amounts are deposited to the wrong participant's account. This can be caused from errors on the deposit file or data entry errors. To correct this, we provide instructions for

clients to send these to the recordkeeper for correction.

- **Deposit to an Incorrect Source Account** We also sometimes find that amounts are deposited to the correct participant, but amounts are put into the incorrect source "buckets" or accounts. To correct this, we provide instructions for clients to provide these to the recordkeeper for correction.
- **Contribution Calculation Error** – If the plan document stipulates that the plan is to calculate contributions on an annual basis (versus payroll-by-payroll), yet the employer funds the plan each payroll, we will occasionally find discrepancies in the contribution calculations. To correct this, we will provide clients with a "true-up" calculation or other adjustments to ensure contributions are credited properly.

How Are Adjustments Actually Made?

JULY assists our clients to make any necessary Account Adjustments. Because we are not a plan fiduciary, we need authorization from the employer to make the adjustments, but we do our best to make this process easy on clients.

Occasionally, we will recommend to clients to correct an error under the Employee Plans Compliance Resolution System by using Self-Correction Program (SCP) or filing a Voluntary Compliance Program (VCP) Application. We make these recommendations to protect the plan's tax qualified status.

Please contact JULY at [888.333.5859](tel:888.333.5859) for more information.