

Tax Filing Deadlines

Tax filing deadlines are very important for qualified retirement plans. Primarily, this is because employer contribution deposits are required to be made prior to the tax filing deadline for a tax year in order to be deductible for that year.

Effective for 2016 tax years, the deadlines have changed depending upon your entity type. Partnerships (Form 1065) and S-Corporations

(1120S) tax returns are now due March 15. C-Corporations (1120) and individual returns/sole-proprietors (1040) are due on April 15.

Your accountant will likely remind you of these changes, but make sure that your qualified plan deposits are made on time, particularly if you are a Partnership that had taken advantage of the extra month in the past!

Payroll Providers Attempting 401(k) Administration

We are very aware that many of our clients are bombarded with sales material for 401(k) services from their payroll vendors.

The singular advantage that a payroll provider can offer is integration with the payroll service. This may seem like an enormous advantage, but it really isn't. Logging-in to an independent recordkeeper website to transmit contribution information each pay-period is not a time consuming task. Furthermore, there are many payroll companies willing to perform this task,

but Paychex does not and ADP charges a large fee.

More importantly, the payroll providers that are in the 401(k) business, Paychex in particular, have a well-earned reputation for poor service and lack of consultation. Most clients end up with a "do it yourself" 401(k) Plan.

This doesn't save you time, doesn't improve the quality of your plan and almost never saves you money.

Annual Limitations Changes for 2017

The cost of living adjustments were relatively modest this year. There were no changes to the 401(k) contribution limits. The two most notable increases

are the maximum compensation, which is now \$270,000 and the Annual Allocation maximum which is up to \$54,000.

| Annual Dollar Limits | 2016 | 2017 |
|--|-----------|-----------|
| Maximum Compensation for Qualified Plans | \$265,000 | \$270,000 |
| 401(k) and 403(b) Salary Deferrals | \$18,000 | \$18,000 |
| Catch Up Contributions (age 50 and older) | \$6,000 | \$6,000 |
| SIMPLE Contributions | \$12,500 | \$12,500 |
| Highly Compensated Employee Status | \$120,000 | \$120,000 |
| Annual Benefit (section 415) - Defined Benefit | \$210,000 | \$215,000 |
| Annual Allocation (section 415) - Defined Contribution | \$53,000 | \$54,000 |
| Key Employee Determination Compensation | \$170,000 | \$175,000 |
| Taxable Wage Base | \$118,500 | \$127,200 |

Employee News

We have 2 pieces of good news. In December we hired a new employee. Cindy Jackowski, QKA, QPA has 20 years of experience in all areas of plan administration. It is rare to find an experienced 401(k) plan administrator of her caliber and we feel fortunate to have her on board.

In addition, Nick Arnold and Justin Koffenberger both recently obtained their Qualified 401(k) Administrator (QKA) credentials from the American Society of Pension Professionals and Actuaries (ASPPA). These credentials are difficult to obtain and signify a high level of professional competence in the 401(k) area. Congratulations!

Electronic Communications

Like everyone else, we have begun to communicate electronically more and more. All of our new plan documents are now emailed in pdf form and our annual reports are typically emailed via secure portal. We are also planning to use DocuSign for electronic signatures in the near future.

We have also noticed the sophisticated phishing scams and malware attacks that are becoming more and more prevalent. If you send us an email with a link or an attachment that we were not expecting, we may not open it without checking first. Please include enough specific detail in the email that we can determine that it isn't a phishing/malware scam.

Please make sure that we have a good email address for you. It is also important to know whether that email can receive confidential information or not. We will normally assume that an email address with a person's name attached to it is private.

We also encourage you to send us confidential information using our Secure Client Center (Sharefile) that is accessible on each page of our website.

Cash Balance and Defined Benefit Plan Documents

As most of you know, the IRS requires that plan documents be periodically re-drafted to incorporate tax law and regulation changes that occur every year. These periodic updates are referred to as "restatements" and they generally occur every 6 years. It is anticipated that 2018 will be the start of

the next restatement period for all Cash Balance and Defined Benefit plan documents. We will deliver more news on this project as it develops, but wanted you to know in advance as this work is outside of the normal administration that you typically receive so there will be a fee for preparation of your updated document.

Compensation and Census Data

You are most likely receiving this Newsletter along with our annual request for your census data. We cannot stress enough the importance of complete and accurate census data. Incorrect dates of hire, dates of birth or hours worked can make the difference between someone being included in your plan or not. It can also have a major impact on the employer contribution numbers that we calculate for your plan.

include amounts that are not reflected on the W2 information, such as Section 125 deductions. Most plans include these amounts in the definition of compensation.

Also be aware that compensation needs to be provided in complete detail. Our request asks you to

Partners, sole-proprietors, and LLC members taxed as partners have very complicated earned income calculations for retirement plan purposes. Please understand that the time frame for work on these types of entities will be longer and will likely require input from your accountant.

Forfeitures

When a participant is paid out from a plan and is not fully vested, the money that remains in the plan is called a forfeiture. These amounts typically offset

future employer deposits or can be used to pay fees. Please be sure to use these amounts each year. They are not to be held in the plan indefinitely.

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