The Ins and Outs of Your Plan's SPD

The importance of an accurate, current, and comprehensive summary plan description (SPD) cannot be overstated. In fact, recent court cases have highlighted the need for employers to review their plan's SPD to ensure it does not conflict with the plan document.

What is the summary plan description (SPD)?

The SPD is the primary vehicle for informing plan participants and beneficiaries of their rights and obligations under the plan. It's essentially a summary of the key features of a retirement plan.

What information should the SPD include?

The Employee Retirement Income Security Act (ERISA) specifies what is required in the SPD. The SPD contains a variety of information, such as:

- The plan's name and the name and address of the plan sponsor
- Participant eligibility requirements
- A description of benefits and the vesting schedule
- The plan's normal retirement age
- The sources of plan contributions
- Benefit claim procedures
- Participant rights under ERISA

Is there a specific format that the SPD must follow?

No, but it must be complete and understandable. The language should be written in a way that is easily understood by the average participant and should not be misleading.

When should the SPD be distributed?

In general, employers are obligated to provide participants and beneficiaries with the SPD within 120 days after a plan becomes effective. New participants have to receive the SPD within 90 days of becoming a participant. An updated SPD, which incorporates all interim plan amendments, must be furnished no later than 210 days after the end of the fifth plan year after the previous SPD. If there have been no changes to the plan, a new copy of the SPD must be distributed every 10 years.

Can the SPD be sent electronically to participants?

If certain requirements are met, employers may furnish the SPD using electronic media, such as the Internet, an intranet, and e-mail. However, employers should ensure that appropriate measures are taken to comply with ERISA's electronic delivery rules.

For electronic dissemination of plan documents, regulations mandate that employers provide notice to participants that the forthcoming document contains important plan information (e.g., employers must give a description of the significance of the SPD and advise recipients that a paper copy of the SPD is also available upon request). The employee's consent may be needed. (This depends on the employee's job function and the availability of electronic access.) Paper versions of the SPD must be given to any recipient without the ability to access documents in electronic form.

Do plans have to provide non-English versions of the SPD?

No. However, if several plan participants are literate only in the same non-English language (25% or more for plans with fewer than 100 participants, and the lesser of 500 or 10% for plans with 100 or more participants), then the plan must provide a non-English language notice that offers the participants assistance in learning about their rights and benefits under the plan.

What if there is a conflict between the SPD and the plan document?

Where there is a conflict between the official plan document and the SPD, and the SPD describes a benefit more favorable to the participant, the SPD has prevailed in a number of cases. Thus, it is critical that employers verify that their SPD is up to date, consistent with plan documents, and contains all the essential information relating to the plan.

In addition to the SPD, what other documents do plans have to provide participants?

There are several. For example:

- A summary annual report (SAR) must be furnished within nine months after the end of the plan year. It's a summary of the information appearing in the plan's annual report (Form 5500).
- A summary of material modifications (SMM) to the plan has to be provided within 210 days after the end of the plan year in which the modification was adopted.

And plans also must provide participants with the following documents upon written request:

- Statement of the participant's total accrued benefits
- Most recent annual report
- Plan document
- Trust agreement
- Collective bargaining agreement (or any other document) under which the plan is established

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Q4

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A quarterly newsletter for Retirement Plan Participants

When Your Nest Empties ...

Having a child leave home permanently is a significant event. After you've packed away the memorabilia, sit down and revisit your finances. It may be a good time to make some other changes.

From Their Diapers ...

Raising a child is expensive. For a child born in 2015 (the latest figures available), a middle-income family can expect to spend about $233,610 for food, shelter, and other necessities associated with raising a child over the next 17 years.[1]

... to Your Dreams

If you think it's a big change when the kids leave home, the next one -- retirement -- may be even bigger. Once you no longer have the expenses of raising a family, use the financial "windfall" to beef up your retirement savings. If you haven't been saving as much as you should, this is the time to catch up. Building up your retirement savings should be a priority.

Check to see how much you're currently contributing to your retirement account, and consider increasing that amount. If you can sock away an extra $200 a month for 10 years and earn 6% a year (compounded monthly), you'll have added more than $32,000 to your account balance.

Max It Out

If you can, consider increasing the amount you're saving until you reach your plan's maximum contribution amount. Check with your plan administrator if you don't know how much the annual limit is. If you're age 50 or older by the end of the calendar year -- and your plan allows for them -- you may be able to make additional catch-up contributions.

No Procrastinating

It won't take long to adjust to having more money to spend after the kids leave home, so don't wait to reset your financial priorities. Earmark at least some of your empty nest surplus as retirement savings.

Your situation is unique, so be sure to consult a professional before taking action.

Save More Now, Spend More Later

	Save an extra $2,400 a year	Save an extra $5,000 a year
For 7 years	$20,815	$43,364
For 10 years	$32,776	$68,283

These are hypothetical examples used for illustrative purposes. They do not represent the results of any particular investment. Monthly contributions and a 6% average annual total return (compounded monthly) are assumed. Your investment results will be different. Tax-deferred amounts accumulated in the plan are subject to ordinary income tax upon withdrawal. Source: DST Systems, Inc.

Source/Disclaimer:
[1]2015 Expenditures on Children by Families, U.S. Department of Agriculture, January 9, 2017.

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