

BenefitsBCLP

A MISTAKE A DAY: TOP 5 401(K) COMPLIANCE MISTAKES & BEST PRACTICES

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Mistakes are all too easy to make, but fortunately, they are also easy to prevent! This week, we are discussing the five most common compliance mistakes made by 401(k) plan administrators and fiduciaries, the potential liability associated with such mistakes, and steps you can take to avoid making them yourself. Each day we will discuss a new compliance mistake, so stay tuned.

Failure to Timely Update Plan Document

Description

Statutes and regulations establishing qualification requirements change relatively frequently. Plans must be modified to conform to the requirements as required by each statute and regulation.

Potential Liability

Potential liability will differ based on the statute or regulation in question. In some circumstances, failure to timely adopt legislative and/or regulatory changes may result in disqualification of the plan.

Examples

Most recently, the Department of Labor updated the regulation governing the process for disability claims. The new regulations provide participants with enhanced rights, and require, among other things, that claims administrators provide claimants with more thorough descriptions and information supporting their denial of benefits. If a plan fails to conform to the regulations, claimants will be deemed to have exhausted all of their administrative options immediately, meaning that they may file a lawsuit *without* following the plan's disability claims appeal procedures.

The Fix

Most 401(k) sponsors rely on their benefits lawyer, plan provider or plan administrator to keep them apprised of new documentation requirements. In the absence of such an arrangement, plan

sponsors should check on an annual basis to determine whether there have been any changes that require updates to the plan document.

RELATED PRACTICE AREAS

- Employee Benefits & Executive Compensation

MEET THE TEAM



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