



6995 S. UNION PARK CENTER, #190
COTTONWOOD HEIGHTS, UT 84047
TELEPHONE – (877)252-1692
FAX – (801)676-1505
www.nationalpensions.com

FOR BENEFIT CONSULTANT & ACTUARY USE ONLY
PERSONAL AND CONFIDENTIAL

412 (e)(3) Defined Benefit Checklist

A custom fully-insured defined benefit plan may consist of two parts: One, a fully-insured Defined Benefit Plan; the other, a Profit Sharing Plan (usually a 401(k)). They are tested together to satisfy the requirements of ERISA. **These are the steps to a typical plan installation.**

- If needed, schedule a meeting with you (the Advisor), the plan sponsor, **the sponsor's CPA**, and NPP to present and review the plan.
- Return the design fee, the signed engagement letter, and the signed Corporate Resolution adopting the plan(s) to NPP so that we can begin the final plan design and take steps to assist the sponsor in obtaining new plan employer identification number (EIN).
- NPP tax specialist obtains a new Employer Identification Number from the IRS (Form SS4) for both the fully-insured defined benefit plan and the profit sharing plan (assuming a new profit sharing plan). We need both numbers to complete the life insurance and annuity applications because the plans own and are the beneficiaries of the contracts.
- NPP returns new plan EINs to plan sponsor for DB and DC plan (as needed).
- Plan Sponsor opens separate bank accounts for each plan, using the SS4s and the entity names listed there. This makes tracking the deposits simpler for purposes of dealing with the DOL.
- NPP provides options for the 401(k) carrier to the Advisor/producer, if needed.
- NPP completes 401(k) prototype document for client's signature. This document will be replaced by the custom document after the fully-insured defined benefit plan is funded.
- With the Advisor/Producer, the plan sponsor completes applications for life insurance and annuities and returns originals to NPP to be submitted to the insurance companies. The amount of insurance and annuities purchased is based on the Final Plan Design.
- Plan Participants are scheduled for medical exams (if applicable).
- Financial Inspection Report must be completed.
- The Advisor/Producer collects the contribution checks when the policies are issued, and then completes any delivery requirements.

- The legal document is prepared for the fully-insured plan by the NPP staff attorneys. NPP must have the final insurance underwriting results and premiums before drafting the legal document.
- In some cases, IRS Form 5558 (Application for Extension of Time to File) is sent to IRS and plan sponsor.
- NPP prepares form 5500 to be completed and sent to plan sponsor for signature and to file.
- NPP staff completes Form PBGC-1 and sends the completed form to the plan sponsor to be filed with PBGC.

YEAR TWO

- NPP bills the client for plan administration. A Form 5500 is completed by NPP and must be filed for the previous year even though the contribution may not be made until the following year. In other words, if the plan sponsor establishes a plan in current year but does not fund the plan until the next year, the Form 5500 must be filed for current year even though there were no funds in the plan. This requires an administration fee for the current year. The client or plan sponsor will also be billed for an administration for each year thereafter.
- The invoice for plan administration will be accompanied by the plan data for gains and forfeitures. NPP will calculate the contributions needed for the DB/DC combination plans. The plan sponsor will receive the contribution recommendations for the plans after receipt of the plan data from sponsor.
- The plan sponsor must purchase new life insurance or annuity contracts for any additional participants.
- The plan sponsor **must make the contribution no later than the due date** (usually extended) **of the plan sponsor's tax return.**
- NPP can prepare the Form 5558 (Application for Extension of Time to File). It will be sent to IRS and plan sponsor.
- NPP will complete the Form 5500 and send it to the plan sponsor for signature and to file.
- NPP will complete the Form PBGC-1 and send it to plan sponsor to be filed with PBGC.

Please note: In general, because of difficulties at times in obtaining information from the insurance companies, Plan Sponsors, and others, we obtain extensions for all Forms 5500. If the plan sponsor is not comfortable with obtaining an extension of time to file personal or business tax returns, we will make every attempt to meet the March or April deadline, for an additional fee. **Extensions do not increase audit risk.**