

PROJECT CASE STUDY

Private School Partners With PRM To Meet 403(b) Obligation

TYPE: RETIREMENT CONSULTING

CLIENT: PRIVATE SCHOOL IN ROCKVILLE, MARYLAND

OPPORTUNITY:

A private school with more than 260 employees faced decreased administrative services from its retirement vendor, resulting in questions regarding ongoing plan operations. Additionally, changes to the 403(b) regulations added anxiety regarding the plan meeting all compliance laws and having the ability to pass a 403(b) audit in the future. PRM was hired to evaluate all plan operations and recommend where changes needed to be made to reduce any compliance exposure.

SOLUTION:

PRM met with the human resources staff and reviewed every aspect of the plan, ranging from employee enrollment to premium remittance. After gathering information, PRM advised the school on how to apply IRS guidelines to plan operations and customized a new plan document. We also conducted discrimination testing to address plan design concerns. PRM recommended that the school use a safe harbor approach, and also evaluated the Department of Labor changes to the Form 5500 and recommended an approach to save the school money on a go forward basis.

RESULTS:

The school has an updated document that recognizes all plan provisions. The nondiscrimination test revealed a need for the school to increase participation and a campaign was conducted to include more eligible but non-participating employees. Through 2009, the school successfully enrolled more than 90% of eligible participants, which is a 20% increase over prior participation levels. Additionally, the school implemented the approach to make the plan easier to follow for Form 5500 purposes, and will be saving several thousands of dollars a year on an audit that will need to be included with the Form 5500. The recommendation of treating the plan as a safe harbor resulted in less pressure to pass discrimination testing and positioned the plan for easier administration going forward. The enrollment process has been updated, and changes were made to the salary reduction agreements, making them consistent with our recommendations. Finally, the Director of Human Resources now calls upon PRM for any and all issues relating to the retirement plan as we now fill the void created by the change in service delivery of their current retirement vendor.

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