

DEPOSIT REQUIREMENTS FOR EMPLOYEE CONTRIBUTIONS

The Department of Labor (DOL) has rules on the timing of deposits of employee deferrals and loan payments. The DOL has become more watchful for compliance of these rules in recent years.

Original regulations stated that employers were required to transmit employee contributions to retirement plans as soon as they could reasonably be segregated from the general assets of the employer, but no later than the 15th business day of the month following the month in which contributions were withheld by the employer.

More recently, the DOL created a safe harbor period for small plans (fewer than 100 participants) under which participant contributions will be deemed to comply with the law if those amounts are deposited to the plan within seven business days of receipt or withholding. Contributions not deposited within that time period could be considered as plan assets being in the possession of the employer, which is a prohibited transaction.

Large plans are still required to remit deposits as soon as they can be segregated from employer assets, even if less than 7 days. The DOL has made it clear that plans should not rely on the “15th business day of the following month” rule.

Further information can be found on the Department of Labor website at <http://www.dol.gov/ebsa/newsroom/2010/10-56-NAT.html> or by contacting your Retirement LLC retirement plan specialist.