




Comprehensive 401(k) Best Practices Checklist for Effective Plan Management

Plan sponsors and benefit plan administrators have a fiduciary responsibility to ensure plans comply with applicable laws and regulations and act in the best interest of plan participants. This responsibility also includes supporting the annual audit if the Plan meets the audit requirement. Independent auditors take a deeper dive into Plan Sponsor and Plan records to examine compliance with laws and regulations and the Plan document. Audit procedures cover, among other things, Plan compliance, understanding internal controls, fiduciary responsibilities, and financial reporting. To help meet these responsibilities, WG has compiled a checklist of best practices when reviewing the annual information and preparing for the 5500 filing and audit reporting requirements.

Reviewing and completing this checklist will ensure your Plan remains in compliance and is well-prepared for the upcoming year's reporting and auditing requirements. The below checklist is a general guideline. This list does not include all items that should be completed or that your Plan needs to comply with Department of Labor or IRS regulations. Please get in touch with your WG advisor or third-party administrator if you need assistance preparing for the annual audit to determine which requirements apply to your Plan.

Refer to the checklist on the following pages below.



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Plan Document Review & Updates

Review Plan Documents:

- Confirm incorporation of recent amendments, including SECURE Act 2.0 changes.
- Verify updates to automatic enrollment features and catch-up contributions.
- Review eligibility criteria for participation and compensation

SECURE Act 2.0 Provisions:

- Update required minimum distribution (RMD) ages and transitional rules.
- Revise catch-up contribution provisions and auto-enrollment defaults as required.


Review of Records & Audit Preparation

Annual Audit Preparation:

- Ensure all financial records, internal controls, and compliance documents are current and accurate. These include but are not limited to: I-9 forms, offer letters, salary and wage information, termination letter, Plan eligibility documents.
- Coordinate with independent auditors to review fiduciary responsibilities, internal controls, and financial reporting.

Review of Year-End Reporting:

- Review Non-Discrimination Testing (NDT) results from the TPA and address issues promptly.
- Ensure opt-out steps are communicated with participants, there is documentation of the opt-out process, and if applicable, evidence of opt-out is maintained.
- If the Plan allows loans, review that participant loans were issued in accordance with Plan provisions, based on the allowable IRS limits, and interest rates are appropriate.
- Ensure withholding rates for distributions are accurate based on distribution type.
- Document and correct any late remittances of contributions.
- Ensure there are no instances of employees contributing over the allowable limits, particularly for employees who may have participated in multiple plans this year.
- Maintain an audit trail of data sources, reconciliation processes, and record corrections.
- Maintain clear records documenting compliance with both established regulations and SECURE Act 2.0 requirements.



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Compliance with SECURE Act 2.0 Requirements

RMD Adjustments:

- Update participant communications and systems to reflect revised RMD ages and calculation methods.

Enrollment & Contribution Provisions:

- Update automatic enrollment and escalation features, confirm payroll provider and TPA have updated.
- Implement changes to catch-up contribution limits and eligibility criteria.

Regulatory Notices:

- Prepare and distribute all mandatory notices required by SECURE Act 2.0.

Participant Communications & Education

Annual Participant Statements:

- Include updates on benefits, distributions, and enrollment options.

Educational Materials:

- Provide clear, accessible information on how SECURE Act 2.0 impacts plan operations.

Feedback Mechanisms:

- Establish channels for participants to ask questions and provide feedback.

Internal Controls, Recordkeeping & Census Verification

System Updates & Process Review:


- Update recordkeeping and payroll systems to capture new SECURE Act 2.0 data points.
- Regularly review internal processes and controls for compliance.
- Update access to Plan data for personnel and/or process changes.

Data Integrity:

- Ensure all participant data (e.g., RMD ages, contribution limits) is accurately recorded and is in compliance with IRS limits.
- Ensure sensitive employee and Plan data is protected.

Employee Census Verification:

- Reconcile the employee census with HR and year-to-date payroll records to include all active employees, terminated employees (if applicable), and dependents that received wages during the period.
- Confirm that key data (demographics, compensation details, benefit elections, contributions, employment status) is complete and current.
- Verify census reflects all Plan contributions, adjustments, and eligible compensation, including reconciliations for data captured outside of payroll standard reporting.
- Schedule regular (year-round) reviews and consider implementing automated checks to flag discrepancies.



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Fiduciary Responsibilities

Fiduciary Training:

- Ensure all fiduciaries receive updated training on SECURE Act 2.0 changes and their impact on plan management.

Review & Documentation:

- Regularly revisit fiduciary duties in light of evolving compliance requirements.
- Document decision-making processes affected by SECURE Act 2.0 provisions.
- Review service agreements related to the Plan.

5500 Filing & Audit Reporting

5500 Preparation:

- Verify that the filing accurately reflects current plan operations.
- Include all required data points, especially updated census information.

Audit Readiness:

- Compile all documentation supporting SECURE Act 2.0 changes.
- Conduct pre-audit reviews to identify and resolve any discrepancies.
- If there have been changes in service providers during the year (TPA, recordkeeper, custodian, payroll provider), verify that all information was completely and accurately transferred to the new provider(s). All documentation, notices, calculations, and confirmations related to blackout periods and transfers should be maintained.
- Contact auditors immediately if your entity is merging or acquiring another entity and the impact on the current Employee Benefit Plan (i.e. another Plan will merge into the current Plan, your Plan will be merging into another and will transfer out all Plan assets, a new Plan will be created, etc.).
- Contact auditors if there has been a significant reduction in workforce which may indicate a partial 401(k) termination.


Additional Annual Tasks

Annual Meetings:

- Schedule and hold a comprehensive annual plan review meeting with key stakeholders (e.g., HR, legal, compliance, plan sponsors, and administrators).
- Document meeting minutes and track follow-up action items.

Record Retention:

- Review and confirm that record retention policies are current and in compliance with regulatory requirements.
- Ensure that all compliance documents, financial records, audit trails, and meeting minutes are securely stored for the mandated retention period.
- Perform periodic audits of record retention procedures to verify ongoing compliance.



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Post Year-End Follow-up

Review Meeting:

- Hold a post year-end review with internal teams and external advisors to assess compliance and implementation of SECURE Act 2.0 changes.

Regulatory Monitoring:

- Monitor investment menu options and review investment performance.
- Stay informed on further guidance or updates related to SECURE Act 2.0 and other compliance matters.

Action Plan:

- Develop and document a plan to address any identified gaps before the next audit cycle.

Documents to Maintain

- Basic Plan Document
- Adoption Agreement
- Amendments
- Summary Plan Description and any summaries of material modifications
- Investment Agreements
- Investment Policy
- Annual Investment Valuation Summary
- Census
- Discrimination testing
- Individual participant records
- Current IRS determination or opinion letter
- Fidelity bond coverage
- Payroll records
- Meeting minutes related to the Plan
- Copies of current and prior audited financial statements and internal control letters