

RADACHI AND COMPANY

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IMPORTANT NOTICE

Timely Deposit Requirements

The Department of Labor requires employers to remit employee contributions to retirement plans on a timely basis. In general, employee contributions must be remitted to the plan by the earlier of:

- 1) the date the employee's contributions can be reasonably segregated from the company's assets, or
- 2) the 15th business day following the month that the employee contributions were withheld from pay.

In 2008, the Department of Labor issued a "proposed regulation" in an effort to clarify this rule.

First, this regulation allows small plans (those with less than 100 participants) to remit employee contributions to the plan within 7 business days following a payroll date. Those contributions will automatically be considered to be remitted on a timely basis.

Second, this rule clarified that it is no longer acceptable for an employer to hold all deferrals during the month and deposit them the following month. Rather, employers should be depositing their employees' deferrals as soon as administratively possible every pay period. For example, if an employer pays weekly, employee contributions should be sent to the plan on a weekly basis. If a company pays semi-monthly, employee contributions should be sent to the plan on a semi-monthly basis.

Finally, while the 7th business day rule only applies to small plans, the Department of Labor explicitly stated that they are interested in issuing a similar rule for large plans (those with over 100 participants). Therefore, even large plans should adjust their procedures so that they are remitting employee contributions to the plan as soon as administratively possible for each pay period.

Radachi and Company will be working with clients to review current payroll procedures and suggest the appropriate changes to ensure that all contributions are timely remitted to the retirement plans.

If you have any questions, please feel to contact our office at (440) 365-3115 or benefits@radachicocpa.com.