

Mistakes in Matching Contributions

A Segment in Our Retirement Rescue Series

A failure to properly contribute matching contributions, based on the plan document, is one of the most common errors made in 401(k) Plans.

Does your Plan need to be rescued?

Erroneous or missed matching contributions may occur when:

- ⇒ The terms of the plan document regarding matching contributions are not followed
- ⇒ Hours of service are improperly calculated
- ⇒ Plan entry dates for employees are wrongly identified
- ⇒ The incorrect definition of compensation is used
- ⇒ The timing of matching contributions is different than what is specified by the plan document

Finding the Failure

To determine if this failure has occurred and to avoid future errors, begin by reviewing the specific terms of the plan document and compare them to plan operations. Ensure that the definition of compensation used in determining matching contributions is the same definition found in the plan document. Similarly, compare the timing of matching contributions to the requirements in the plan document.

Correction Methods

Correction of an erroneous or missed matching contribution should be based on the plan document terms and leave the affected participant in the state they would be in had the mistake not occurred. This generally involves making a corrective contribution plus earnings to each affected participant.

The EPCRS Self Correction Program (SCP) may be available if the error is considered solely operational and all eligibility requirements are satisfied. If the mistake is considered to be significant in the aggregate based on applicable facts and circumstances, it must be corrected within the two-year period following the end of the plan year in which the error occurred. If the two-year window has passed, the plan must use the Voluntary Correction Program (VCP) to remedy the failure. If the mistake is considered insignificant in the aggregate, it may be corrected using SCP past the two-year correction period.

*There is no fee for self-correction, however there is a fee for VCP submission.
For the most recent general VCP fee information, effective February 2016, please read ["General VCP Fees Reduced"](#) in the Retirement Rescue section of our website.*

Error Prevention

To prevent erroneous employer matching contributions, confirm that you, as well as applicable service providers, are familiar with the plan document. When the plan document is updated, ensure that all service providers are notified. Additionally, verify that all parties are receiving sufficient employment and payroll information to properly calculate employer matching contributions.