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PERSONAL AND CONFIDENTIAL

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### 412 (e)(3) Defined Benefit Checklist For Plan Sponsors

A custom fully insured defined benefit plan may consist of two plans; one a fully insured defined benefit Defined Benefit Plan, the other a Profit Sharing Plan—usually a 401(k)—that are tested together to satisfy the requirements of ERISA. **These are the steps to a typical plan installation.**

- 1) Initial meeting scheduled with you (the plan sponsor), **your accountant**, the Financial Advisor, and NPP to present and review the plan.
- 2) You return the design fee, signed engagement letter, and signed Corporate Resolution adopting the plan(s) to NPP so that we can begin the final plan design stage.
- 3) NPP obtains new plan EINs and returns Form SS4 to you for one or both plans (as needed).
- 4) You establish separate bank accounts for each plan using the plan names and EINs on the SS4 forms. This makes tracking the deposits simpler for purposes of dealing with the DOL. All plan contributions will be deposited to the plan bank account.
- 5) You select a 401(k) vendor with the Financial Advisor (if applicable).
- 6) NPP completes 401(k) prototype document for you to sign. This document will be replaced by the custom document after the fully insured defined benefit plan is funded.
- 7) With the Advisor/Producer, you complete applications for life insurance and annuities and return the originals to NPP to be submitted to the insurance companies. The amount of insurance and annuities purchased is based on the Final Plan Design.
- 8) Plan Participants to be insured will need to sign applications and be scheduled for medical exams (if applicable).
- 9) You submit contribution checks (written from the plan bank accounts) through the Financial Advisor when the policies are issued and delivered. Additional delivery form signatures may be required.
- 10) The legal document is prepared for the fully-insured plan by the NPP staff attorneys. NPP must have the final insurance underwriting results and premiums before drafting the legal document.

- 11) In some cases, IRS Form 5558 (Application for Extension of Time to File) is sent to you and the IRS.
- 12) NPP prepares form 5500 to be completed and sent to you for signature and to file.
- 13) NPP staff completes Form PBGC-1 and sends the completed form to you for signature and filing with PBGC.

## YEAR TWO

1. \_\_\_\_\_ NPP bills the plan(s) for plan administration. A Form 5500 is completed by NPP and must be filed for the previous year even though the contribution may not be made until the following year. In other words, if you establish a plan in the current year but do not fund the plan until the next year, the Form 5500 must be filed for current year even though there were no funds in the plan. This requires an administration fee for the current year. You will also be billed for administration for each year thereafter.
2. \_\_\_\_\_ The invoice for plan administration will be accompanied by the plan data for gains and forfeitures. NPP will calculate the contributions needed for the DB/DC combination plans. You will receive the contribution recommendations for the plans after receipt of the plan data.
4. \_\_\_\_\_ You must purchase new life insurance or annuity contracts for any additional participants.
5. \_\_\_\_\_ You **must make the contribution no later than the due date** (usually extended) **of the plan sponsor's tax return.**
6. \_\_\_\_\_ NPP can prepare the Form 5558 (Application for Extension of Time to File) to be sent to you and the IRS.
7. \_\_\_\_\_ NPP will complete the Form 5500 and send it to you for signature and to file.
8. \_\_\_\_\_ NPP will complete the Form PBGC-1 and send it to you for signature and filing with PBGC.

**Please note:** In general, because of difficulties at times in obtaining information from the insurance companies Plan Sponsors and others, we obtain extensions for all Forms 5500. If the plan sponsor is not comfortable with obtaining an extension of time to file personal or business tax returns, we will make every attempt to meet the March or April deadline, for an additional fee. **Extensions do not increase audit risk.**