



NICHOLAS PENSION CONSULTANTS

Plan Design & Administration

ABOUT US

NPC is a third party pension administration firm. We specialize in quality plan administration and do not provide investments or insurance services. Our local consultants are strategically placed to service our clients.



Owners: Ken Roberts, Adam Zuro, Leonard Roberts, Patrick Collar, Warwick (Nick) Nicholas & Andy Wass

NEWS

Due to the many Advisors and Accountants who have entrusted us with their clients, we currently administer over 3,000 retirement plans, which represent over 50,000 participants. Our clients are serviced by our staff of over 70 employees with hundreds of years of combined experience.

The retirement plan administration industry continues to consolidate and many TPAs have sold to private equity firms. We are proud our ownership remains constant as we focus on value and quality of service. We also appreciate the working relationships maintained with virtually all major recordkeepers (see list on next page).

CALSAVERS: CA's mandated state-run IRA

Ten states have either implemented or passed legislation to begin state mandated programs. California's mandated state-run IRA officially opened on July 1st of this year. The program is named **CalSavers**, and has been self-proclaimed as "the most ambitious push to expand retirement security since the passage of Social Security in the 1930s."

CalSavers requires employers with 5 or more employees, who do not offer a qualified retirement plan, to register and offer the CalSavers plan based on the deadlines listed in the chart below. Qualified retirement plans include 401(k) Profit Sharing, Defined Benefit/Cash Balance, 403(b), SEP and SIMPLE IRA plans. **Fines up to \$750 per employee may be imposed on employers not offering a plan.**

Deadline	# of Employees
July 2020	Over 100
July 2021	Over 50
July 2022	5 or more

Administration of CalSavers plans may prove cumbersome for Employers. Employees age 18 or older must be included. Payroll withholdings are deposited as Roth IRA contributions up to the current \$6,000 limit (\$7,000 if age 50 or older). For employees who do not make an election, auto-enrollment is required to begin at 5% of income, escalating 1% per year up to 8%. Employers must also re-enroll non-participating employees every two years, even if a negative election was previously made. The first \$1,000 is invested into a Money Market Fund, after which various funds are available for selection or defaulted into a Target Date Fund. Among the various employer responsibilities under CalSavers, tracking auto-enrollment, auto-escalation and bi-annual re-enrollment may be the most precarious. Please click here for our one page [CalSavers Overview](#).

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Continuing Education Seminar

Please attend one of our complimentary seminars for a plan design overview and regulatory update. An invitation is enclosed.





REGULATORY UPDATE

Congress continues to show widespread bi-partisan support for the **SECURE Act** and is currently being held in the Senate with objections from only three Senators. The bill could pass by the end of 2019, and if so, it will arguably be the most impactful legislature since ERISA. The SECURE Act changes would include: extending the deadline for establishing a new plan to the tax filing extension; increasing start-up plan business credits up to \$15,000 over three years; elimination of the 3% Non-Elective Safe Harbor Notice; allowing the addition of certain Safe Harbor plans mid-year; increasing RMDs to age 72; required plan coverage for long-term part-time employees; allowing open MEPs and numerous other changes.

The Bipartisan Budget Act signed by the White House in 2018 requires full compliance by January 1, 2020 (some provisions can be elected during 2019). The law lessens the restrictions on participant hardships by:

- increasing sources eligible for hardship distributions;
- removing the 6 month hold on 401(k) deferrals following a hardship distribution and no longer requiring participants to first use plan loans; and
- reducing the employer burden to verify hardships by allowing written statements from participants certifying their financial need.

Plan document amendments should be expected for existing plans currently allowing hardships.

The DOL issued final regulations this summer on **MEPs** (Multiple Employer Plans) in accordance with the Executive Order issued by the White House on August 31, 2018. This allows different business to join a MEP either through a PEO (Professional Employer Organization), an association or employer group.

The IRS updated its voluntary compliance program (**EPCRS**) effective in April of this year, which includes more lenient “self-corrections” on various loan and plan document failures. Additionally, the IRS recently issued a Revenue Ruling clarifying that uncashed distribution checks are to be taxed and reported (1099-R) on the date sent rather than the date cashed.

DB RESTATEMENTS IN PROCESS

Every 6 years the IRS requires plans to be restated onto a new document. Defined Benefit plans are currently being restated for “PPA” before the 4/30/20 deadline.

TAX REFORM ALLOWS ADDITIONAL 20% DEDUCTION

Due to congress passing the Tax Cuts and Jobs Act in December of 2017, owners of pass-through entities (S-Corp, Partnership, and LLC) and Sole Proprietors have a new opportunity to deduct up to 20% of Qualified Business Income (QBI). In order to take full advantage of the

deduction, taxable income cannot exceed \$331,400 filing joint or \$160,700 filing single (above these amounts the 20% deduction is phased-out for “specified service trade or businesses”). A Retirement Plan contribution, including a **DB/DC Combo and Cash Balance Plan**, will help many employers reduce their income in order to take full advantage of the 20% deduction. See the below illustration of a pass through business owner filing jointly:

OWNER DEDUCTS \$66,280* MORE	
Taxable Income	\$521,400
DB/DC Combo Plan Contribution	\$200,000
Taxable Income (after DB/DC Plan)	\$331,400
20% Deduction on \$331,400 QBI	\$66,280*

**Dropping the taxable income to \$331,400 allows for the full 20% deduction, in addition to the deduction on the \$200,000 retirement plan contribution. Consult your tax professional about the intricacies of this 199A deduction.*

DB/DC COMBINATION PLANS (CASH BALANCE)

For owners wanting over \$56,000 in annual contributions, DB/DC Combination plans can allow older owners to contribute over \$200,000 for themselves, while typically requiring a 7-10% contribution for employees.

	Age	Compensation	DB/DC Combo
Owner 1	57	\$225,000	\$250,000
Employee	25	\$50,000	\$5,500

HOW TPAs ASSIST ADVISORS & CPAs

The NPC Consultants purpose is to build long-term, trusted relationships with Advisors and Accountants in order to compliment them in assisting their clients. Consultants are available as a resource to Advisors and Accountants as their long term expert support in retirement plan design and compliance. Consultants are available to discuss prospective plan opportunities and to conduct plan design feasibility studies. In addition, they are available for group presentations and one-on-one training meetings.

TOP INVESTMENT PROVIDERS

Numerous national investment companies have chosen to include Nicholas Pension Consultants on their preferred list of service providers. We can work with any investment company. Examples include: **American Funds, Ascensus, Charles Schwab, CUNA Mutual, Empower, Fidelity, John Hancock, Lincoln, Mass Mutual, Mutual of Omaha, Nationwide, OneAmerica, Principal, TD Ameritrade, Transamerica, Vanguard, and Voya.**

Deadlines for 12/31 Year-End Plans

- 10/01/19 - establish a new 401(k) with a Safe Harbor Plan
- 12/01/19 - add Safe Harbor to an existing 401(k) for 2020
- 12/31/18 - establish a new 401(k) or Defined Benefit Plan



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**PRESENTS OUR 28th ANNUAL SEMINAR
A REVIEW OF QUALIFIED RETIREMENT PLANS UNDER CURRENT LAW**



ALL SEMINARS ARE COMPLIMENTARY FROM 9:00 – 11:00AM AND INCLUDE:

Continental Breakfast, training materials and 2 hours of continuing education for CPAs, CFPs, EAs and Life Insurance. This seminar is designed for Accountants & Financial Advisors and also serves as a great opportunity to invite business partners.

RETIREMENT PLAN OVERVIEW

Plan Types Design Options
Eligibility Vesting

401(k) PROFIT SHARING PLANS

New Comparability One Person UNI(k)
Safe Harbor Roth 401(k)

REGULATORY UPDATE

SECURE Act Update Mandatory California State-Run Plan
DOL & IRS Updates New Hardship Allowances

DEFINED BENEFIT PLANS

Combination DB/DC Plans Cash Balance
Owner Only DB Plans

REGISTER ONLINE AT www.nicholaspension.com/seminars



RENO	Tuesday, Oct. 22, 2019	ATLANTIS RESORT SPA 3800 South Virginia Street, Reno, NV 89502 (775) 825-4700
SACRAMENTO	Wednesday, Oct. 23, 2019	DOUBLETREE BY HILTON SACRAMENTO 2001 Point West Way, Sacramento, CA 95815 (916) 929-8855
ALAMO	Friday, Oct. 25, 2019	ROUND HILL COUNTRY CLUB 3169 Round Hill, Alamo, CA 94507 (925) 934-8211
IRVINE	Tuesday, Oct. 29, 2019	HOTEL IRVINE 17900 Jamboree Road, Irvine, CA 92614 (949) 230-4452
SAN FRANCISCO	Thursday, Nov. 7, 2019	THE CITY CLUB 155 Sansome St, 9th/11th Floor, San Francisco, CA 94104 (415) 362-2480
SAN JOSE	Friday Friday, Nov. 8, 2019	THE FAIRMONT HOTEL SAN JOSE 170 Market St., San Jose, CA 95113 (408) 998-1900

Register online using the link above or contact Jessica Tercero at:
seminars@nicholaspension.com / (916) 638-5700