

## Employee Benefit Plans Alert

# IRS Announces New Employee Plan Pre-Examination Compliance Pilot Program

By Jordan Mentry, Manager and Louis F. LiBrandi, Principal

The IRS announced a new pilot program for pre-examination retirement plan compliance on June 3, 2022. The program is effective immediately.

Under this program, plan sponsors would be notified by a letter from the IRS that they have been selected for a future examination. The letter will explain that the sponsor has 90 days to review its plan documents as well as operations to ensure compliance with current tax law and respond to the letter. If no response is provided by the plan sponsor, the examination will proceed.

If plan document or operational issues are discovered by the sponsor, they may self-correct any eligible identified items utilizing the Employee Plans Compliance Resolution System (EPCRS), outlined in the recent Revenue Procedure 2021-30. Items identified that cannot be self-corrected can be addressed via the closing agreement process with the IRS. Under the closing agreement, sanctions will be determined using the Voluntary Compliance Program (VCP) fee structure. The IRS will review documentation and correction methods and issue a closing letter or proceed with a limited or full-scope examination.

At the end of this pilot program, the IRS will review the effectiveness of the program and determine if the program will become part of its compliance strategy going forward. No time frame for the pilot program was provided.

A judicious plan fiduciary should review plan documents and operations periodically to ensure compliance with the most current tax legislation and verify that plan operations are being administered correctly. Plan sponsors have always been encouraged to create policies and procedures that ensure that their plan is operated in compliance with the Internal Revenue Code and related regulations.

The Employee Benefit Services Group at PKF O'Connor Davies is available to assist plan sponsors in meeting the various compliance and reporting requirements applicable to qualified retirement (and welfare) plans. We routinely provide a review service ("mock IRS examination") which has been used by many clients assisting them to make needed corrections or establish processes and procedures to enhance their operations. We also provide a full spectrum of compliance services for qualified retirement plans and nonqualified deferred compensation plans.

### Contact Us

If you have any questions on the process or would like more information, please contact your PKF O'Connor Davies client services partner or any of the following:

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