

Common Corrections & Issues

Missed Contributions

- **Missed Employer Contributions for LEOs**— either the 5% employer contribution was missed and/or participant was not coded as a LEO and missed the court cost allocation.
 - *How to prevent:*
 - Ensure that sworn or newly sworn officers are enrolled ASAP;
 - Review the Court Cost Allocation report on the Sponsor Center Website every month to ensure all sworn LEOs are listed;
 - Review the Confirmation of Receipt of Funds for accuracy after a file has been submitted.
 - If available, code the participant as a LEO on your payroll file. This will ensure Prudential has the most up-to-date information with every payroll submission. *Contact the NC Plans Service Team if you have questions regarding this option.*
 - *What to do if the error above occurs:*
 - Immediately reach out to the NC Plans Service Team by calling 866-NCPlans (866-627-5267), option #3 then option #1 with the details of impacted LEO(s).
 - *Financial Ramifications:*
 - The Employer is responsible for the missed contributions PLUS missed Court Cost Allocations as well as any attributable missed earnings on those amounts.

- **Missed Employer Contributions for General Employees**
 - *How to prevent:*
 - Ensure all eligible employees are properly coded in payroll for the employer contribution;
 - Review the Confirmation of Receipt of Funds for accuracy after a file has been submitted.
 - *What to do if the error above occurs:*
 - Immediately reach out to the NC Plans Service Team by calling 866-NCPlans (866-627-5267), option #3 then option #1 or by email at NCPlans@Prudential.com with the details of impacted employee(s) and the missed contributions.
 - *Financial Ramifications:*
 - Employer is responsible for the missed employer contributions PLUS any attributable missed earnings on the amount.

- **Missed Employee Contributions**
 - *Two common types of errors:*
 - Late contributions where the deduction has occurred but has not yet been submitted to Prudential to be applied to the participant's account;
 - A contribution deferral change was not implemented, and a Qualified Non-Elective Contribution (QNEC) may now apply.
 - *How to Prevent:*
 - Review the Sponsor Center Website at least monthly, or in conjunction with your payroll frequency, to obtain your Payroll Changes;
 - Enter the deferral changes into payroll within 1 – 2 payroll cycles;
 - Inform employees that contribution rate changes must be processed directly with Prudential. Once Prudential has received and processed a rate change request, the new information will be updated on the Sponsor Center Website for the

Employer to access. *Employers CANNOT take payroll changes directly from employees.*

- *What to do if an error occurs:*
 - Immediately reach out to your NC Plans Service Team by calling 866-NCPlans (866-627-5267), option #3 then option #1 or by email at NCPlans@Prudential.com with the details of the impacted employee(s) and the missed contributions.
- *Financial Ramifications:*
 - *Late Contributions:* Employer may be responsible for the attributable missed earnings;
 - *Contribution deferral change not implemented:* Employer may be responsible for a percentage of the employee's total missed contribution amount in addition to missed earnings. If the employer also has an employer match, the employer is responsible for 100% of the match plus missed earnings.

File Corrections

Problems may occur with the remittance file that is sent to Prudential. Some common issues are:

- File was not submitted correctly (contained incorrect data);
- Was late being submitted;
- Duplicate file;
- Quality of data within the file.

How to Prevent:

- Ensure staff is properly trained to populate the data correctly into payroll files (for example: the LEO position on the file if applicable);
- Remain consistent with when the contribution file is typically submitted; while also satisfying Department of Labor contribution file timing requirements;
- Retrieve the Confirmation of Receipt of Funds from the Sponsor Center Website and review for accuracy.

What to do if the error above occurs:

- Immediately reach out to your NC Plans Service Team *by phone* by calling 866-NCPlans (866-627-5267), option #3 then option #1 with the details of what occurred and when.

Financial Ramifications:

- Employer could be responsible for missed contributions, missed Court Cost Allocations (for LEOs) and the attributable earnings on those contributions
- Checks could be erroneously paid out to terminated participants and that money may not be able to be reclaimed;
- Loan repayments could be impacted, resulting in misapplied payments, incorrect loan payoffs, etc.;
 - *Loan payments that are applied and have become assets of the Plan cannot be returned, unless the loan payment is in excess of the loan obligation in which case the excess will be returned to the participant.*
- If a duplicate file is processed, the funds may need to be moved to a forfeiture account within the plan to be applied to future contributions.
 - Due to market fluctuation, if an incorrect file is received and processed, there may be a loss in value when the funds are returned or moved to the forfeiture account (whichever is applicable).

Excess Contributions

While it is unlikely, it is possible for an employee to contribute in excess of the IRS annual limit.

Important notes:

- The Compliance Limit Monitoring report on the Sponsor Center Website advises of employees approaching the IRS annual limit, so you can notify them before the limit is exceeded. Note that it does **not** include catch-up contributions.
- Excess employee contributions will be returned to the employee by Prudential. Their voluntary contribution to the Plan(s) must be suspended for the rest of the calendar year.

Participant Level Errors

- Incorrect allocations (contribution or loan payment was submitted under one participant but intended for another);
- Loan defaults due to:
 - Employer missed starting the loan payments;
 - Employer missed sending in the payments or sent the loan payment under an incorrect participant.
 - If possible, the participant can work with Prudential or the Employer to catch-up on repayments and reinstate the loan if the loan is still within the IRS cure period.

How to Prevent:

- Ensure staff is properly trained to populate the data correctly into payroll files;
- Ensure staff is monitoring reports such as the Loans Risking Default report.

What to do if the error above occurs:

- Immediately reach out to your NC Plans Service Team *by phone* at 866-NCPlans (866-627-5267), option #3 then option #1 with the details of what occurred and when.

Financial Ramifications:

- Employer could be responsible for missed contributions and/or attributable earnings on contributions incorrectly allocated, if the correction results in a loss to the correct participant;
- Participant may need to make a substantial payment to bring the loan current and avoid default, causing financial distress for the employee;
- Loan may default, causing a taxable distribution (including a possible penalty) for the employee;
- Once loan payments are applied, they become assets of the Plan and cannot be returned, unless the loan payment is in excess of the loan obligation in which case the excess will be returned to the participant.