

Hibbing Public Utilities Commission

Commission Meeting
October 16, 2018

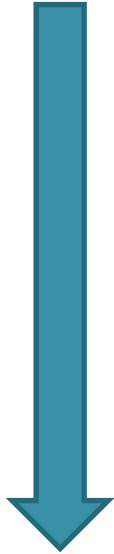


Presented by:

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 HITESMAN & WOLD P.A.

CURRENTLY



457(b)

← Salary reduce



401(a)

← Dollar for dollar match to 3%
Total not to exceed IRS Max



NEEDS TO BE

457(b)

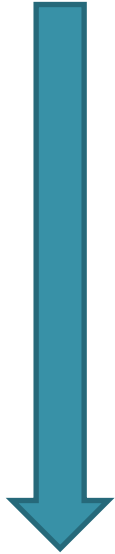
← Salary reduce



← Dollar for dollar match to 3%
Total not to exceed IRS Max

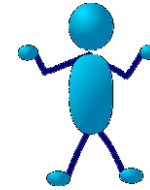


CURRENTLY



457(b)

← Salary reduce



401(a)

← Dollar for dollar match to max \$3,000



IRS VOLUNTARY CORRECTION PROGRAM (VCP)

NEEDS TO BE

457(b)

← Salary reduce



← Dollar for dollar match to max \$3,000



Why do we need to change?

- Two sets of legal requirements
 - Federal
 - State
 - Federal
 - Section 401(a) of the Code
 - State
 - Minnesota Statutes Section 356.24, subd. 1(5)
 - Provides authority for employer to sponsor plan
 - Limits the types of plans and circumstances
- No authority to sponsor Section 401(a) plan for this purpose**

What can HUC sponsor?

- Two sets of legal requirements
 - Federal
 - State
- Federal
 - Section 457(b) of the Code
- State
 - Minnesota Statutes Section 356.24, subd. 1(5)
 - Section 457(b) plan
 - Employer match
 - Dollar for dollar
 - Maximum ½ annual limit under Section 402(g)
 - Current \$3,000 maximum match is within the limits

Match needs to be made to a Section 457(b) plan

How do we make the change?

- General “fix it” rule:
 - Parties put in same position as if error was not made
- Not as simple as just move the money over
 - But that is the end result we want
- Very strict rules regarding “qualified” plans
- Very strict rules when errors are made
- Nature of errors requires IRS involvement
 - Guidance
 - Blessing

What is the IRS VCP?

- Voluntary Correction Program (VCP)
 - IRS program permitting correction of certain types of plan problems
 - Section 401(a) plan falls within VCP
 - Need to determine and submit correction strategy
 - Pay application fee based on plan assets
 - Requires representations by employer
 - Requires assistance of Mass Mutual
 - Requires patience on the part of employees with accounts

Where are we now?

- Application almost complete
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- Submit to IRS
- Wait for acknowledgment
 - Received package
 - Assigned number
 - Assigned IRS representative
- Discussion and action

Questions



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