



# PBS

Professional Benefit Services, Inc.

## PLAN SPONSOR GUIDE

# 401(k) Plan Administration Best Practices Checklist

Use this simple checklist to strengthen your daily, monthly, quarterly, and annual plan administration. Practical information to help you identify gaps early and prepare for future plan changes.



### EVERY PAYROLL

- ☐ Process employee deferrals correctly
- ☐ Deposit contributions timely
- ☐ Verify new employee eligibility
- ☐ Confirm employer match calculations
- ☐ Review employees nearing annual limits
- ☐ Verify Roth and Catch-Up elections
- ☐ Stop contributions for terminated employees

### MONTHLY

- ☐ Reconcile payroll to recordkeeper
- ☐ Review contribution deposits
- ☐ Check participant loans
- ☐ Review hardship withdrawals
- ☐ Monitor employee eligibility
- ☐ Resolve payroll discrepancies
- ☐ Document operational issues

### QUARTERLY

- ☐ Meet with your advisor
- ☐ Review participation & deferral rates
- ☐ Review plan expenses
- ☐ Discuss legislative updates
- ☐ Review fiduciary actions
- ☐ Evaluate employee education

### ANNUALLY

#### Compliance

- ☐ Meet with Professional Benefit Services
- ☐ ADP/ACP Testing
- ☐ Top-Heavy Review
- ☐ Contribution Limits
- ☐ HCE & Key Employee Review
- ☐ Employer Contributions

#### Fiduciary

- ☐ Meet with an experienced retirement plan advisor
- ☐ Investment Review
- ☐ Fee Benchmarking
- ☐ Committee Meeting
- ☐ Cybersecurity Review

#### Filings

- ☐ Work with Professional Benefit Services
- ☐ Form 5500
- ☐ Required Notices
- ☐ Required Distributions
- ☐ Missing Participants

NEW EMPLOYEE

- ☐ Determine eligibility
- ☐ Provide enrollment materials
- ☐ Process elections

EMPLOYEE TERMINATION

- ☐ Stop contributions
- ☐ Review vesting
- ☐ Provide distribution options

BUSINESS CHANGES

- ☐ Ownership changes
- ☐ Payroll provider changes
- ☐ Mergers or acquisitions
- ☐ Workforce changes

2026 Year-end Review

| Overview                                                                                  | What the administrator must know                                                                                                                                                                                              | Practical 2026 check                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Elective deferral limit: \$24,500</b><br><b>Age-50 catch-up: \$8,000</b>               | The combined employee deferral maximum is \$32,500 for a participant eligible for the <b>standard</b> catch-up.                                                                                                               | Update payroll limits and test employees who changed payroll systems, entities, or plans during the year for excess deferrals.                                                                                      |
| <b>“Super catch-up” ages 60–63: \$11,250</b>                                              | A participant who turns <b>60, 61, 62, or 63</b> during 2026 may use the higher catch-up, if the plan permits catch-ups. Maximum Employee deferrals can reach \$35,750.                                                       | Confirm date-of-birth data and recordkeeper/ payroll coding. Do not apply the higher amount to someone age 64 by year-end.                                                                                          |
| <b>Mandatory Roth catch-up for certain higher earners</b>                                 | For 2026, catch-up contributions for a participant with more than <b>\$150,000</b> in 2025 FICA wages from the employer sponsoring the plan generally must be Roth. The threshold is employer-specific, not household income. | Identify affected employees using Box 3 Social Security wages from the sponsoring employer. Confirm whether the plan offers Roth, payroll has a Roth catch-up source, and participants received clear instructions. |
| <b>Annual compensation limit: \$360,000</b><br><b>DC annual additions limit: \$72,000</b> | Compensation above \$360,000 generally cannot be counted for plan allocations; total annual additions are separately capped, excluding catch-up contributions.                                                                | Load limits in payroll and allocation systems. Review owners, physicians, sales employees, and anyone receiving large bonuses or employer contributions.                                                            |
| <b>Long-term part-time employees</b>                                                      | SECURE 2.0 reduced the service threshold to <b>two consecutive years with at least 500 hours</b> for 401(k) elective-deferral eligibility, subject to statutory and plan rules. Tracking remains a 2026 operational priority. | Run a lookback report across 2024–2025 service, including excluded classifications. Confirm entry dates, vesting service and whether employer contributions are excluded under the document.                        |
| <b>Automatic enrollment for many new plans</b>                                            | Most 401(k)/403(b) plans first established after Dec. 29, 2022 must use automatic enrollment and escalation beginning in 2025, unless an exception applies. 2026 is the first full-year operating cycle for many plans.       | Audit every eligible employee, default rate, permissible withdrawal, escalation date, and opt-out. Verify the plan’s exemption status rather than assuming it.                                                      |
| <b>Missing participants and small balances</b>                                            | The mandatory cash-out ceiling may be as high as <b>\$7,000</b> if adopted. DOL continues to expect prudent search procedures for missing participants and uncashed checks.                                                   | Review terminated participants quarterly. Verify addresses, document searches, follow the plan’s force-out terms, and coordinate automatic portability/IRA procedures.                                              |

# Don't Wait Until There's a Problem

A proactive annual review can help you:

- » Reduce compliance risk
- » Improve plan administration
- » Prepare for regulatory changes
- » Strengthen employee retirement outcomes

Talk with our team about  
scheduling your retirement  
plan review today.



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This information has been developed as a general guide to educate plan sponsors and is not intended as authoritative guidance or tax/legal advice. Each plan has unique requirements and you should consult your attorney or tax advisor for guidance regarding your specific situation.

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