



Why Combining Payroll Processing and 401(k) Administration Makes Sense

Executive Summary

A 401(k) plan is a valuable benefit for employees, but the burden of administration and paperwork can leave employers wondering if it's all worth it. That's why many business owners choose to engage their payroll service providers as recordkeepers for their company retirement plans. Payroll processing and 401(k) administration are a powerful duo. A fully integrated payroll and retirement plan solution can greatly reduce manual processing associated with 401(k) plans, allowing employers to spend more time on the strategic aspects of running a business.

Cutting Paperwork

Payroll processing is a practice characterized by stringent regulatory requirements, and 401(k) administration calls for the same level of complexity and expertise. Integrating 401(k) recordkeeping with payroll automates two tasks: the transmission of contributions to the plan and the collecting of records data that might otherwise need to be obtained in separate forms and documents. This streamlining of recordkeeping reduces duplication of effort and helps minimize the tedium of plan administration.

Benefits

Engaging the same vendor for payroll and 401(k) services offers distinct advantages to business owners and plan participants:

- *Peace of mind.* Some business owners may worry about whether or not their employees' money will actually be invested at all, let alone in a timely manner. Falling short of this expectation is less likely when the retirement plan recordkeeper is also the payroll service provider. After all, the payroll service is already processing the payroll funds and can simply add the necessary deductions.
- *Strength – and security – in numbers.* A nationally recognized payroll service provider can greatly exceed the capabilities of the typical 401(k) plan third-party administrator (TPA). It's more than number of transactions and volume of funds transmitted. Secure systems and standards vital to successful payroll processing apply equally to handling contributions that will be transmitted to the investments selected by the participant.
- *Focused expertise.* Different types of businesses need different types of service, so business owners often seek the know-how of firms that understand their unique requirements. For example, a small-business owner may seek a large-size provider with a small-business focus. The result? The best of both worlds: a provider with a national reputation, many clients, and a passion for serving small companies.
- *Regulatory responsibility.* The size of a business does not matter when it comes to following federal and state regulations. Every business and TPA must abide by laws governing qualified retirement plans. A worthy TPA, regardless of size, will process and provide quarterly management reports, compliance testing results, participant statements, and annual IRS forms, no matter the size of the client company or plan assets.

Integrating 401(k) recordkeeping with payroll automates two tasks: the transmission of contributions to the plan and the collecting of records data that might otherwise need to be obtained in separate forms and documents. This streamlining of recordkeeping reduces duplication of effort and helps minimize the tedium of plan administration.

Conclusion

Employers owe it to themselves – to say nothing of their obligation to their employees – to be well versed in tax, employment, and benefits guidelines. Complying with state and federal statutes is the first step in avoiding costly penalties. A clean record with tax agencies reinforces a company's positive reputation.

ERISA experts say it's essential to focus on competence when selecting a 401(k) recordkeeping service. With Paychex, clients get just that.

Recent Accolades

- Among the nation's top 401(k) recordkeepers – *Plansponsor* magazine.
- Among the *Ethisphere*® *Institute's* "World's Most Ethical Companies."
- A *Fortune* magazine "100 Best Companies to Work For" recipient.
- On the *Fortune* list of "America's Most Admired Companies."

About Paychex

Paychex is a leading provider of payroll, human resource, and benefits outsourcing solutions. The company offers comprehensive payroll services, including payroll processing, payroll tax administration, and employee pay services such as direct deposit, check signing, and Readychex®. Human resource services include 401(k) plan recordkeeping, section 125 plans, a professional employer organization, time and attendance solutions, and other administrative services for business.

The information in this paper is furnished for informational use only and should not be construed as a commitment by Paychex, Inc. Paychex provides such information as a service and is not implying its endorsement of, or agreement with, such opinions, information, analyses, recommendations, or conclusions. If legal advice or other expert assistance is required, the services of a competent professional should be sought.

© 2011, Paychex, Inc.

Paychex, Inc., 911 Panorama Trail South
Rochester, New York 14625
800-322-7292
www.paychex.com