

Switching to a New Form of Preapproved Plan Document? What You Need to Know

May 13, 2026

PRACTICES Employee Benefits and Executive Compensation

Have you switched providers and are now converting your retirement plan to a new form of preapproved plan document? Are you with the same provider but updating to a new preapproved plan document at the end of the six-year restatement cycle? In either case, the transition from one document to another comes with some important pitfalls to avoid. Here are some tips to keep in mind when comparing the old plan document against the new one.

- **Check Your Eligibility and Vesting Rules.** Make sure the new document carries over your current eligibility exclusions and vesting schedules. If certain employee categories were excluded before, confirm they're still excluded. Otherwise, you could accidentally make employees eligible who weren't supposed to be or make employees vested in employer contributions who should not have been. If a mistake has been made, you may not be able to undo it once the document is signed because of the anti-cutback rule in ERISA and the Internal Revenue Code.
- **Different Options.** Not all plans offer the same options from which to select or benefit options may be structured differently. For example, exclusions to compensation may be worded differently or there may be optional choices in your current document that do not appear in the new document. Carefully review the sections to ensure they **exactly** match how the plan is currently drafted and being administered. Even a slight change in wording can have a serious impact. If there is any ambiguity or uncertainty, you may be able to address the provision in an addendum using more precise language.
- **Default Settings.** Preapproved plans are often comprised of both an adoption agreement and a basic plan document. While it's easy to assume that "boilerplate" language will be the same across all basic plan documents, that's not always the case. If you are only comparing the boxes that are selected in the adoption agreements, you might end up with provisions that do not match how your plan actually operates due to different language in the underlying basic plan document.
- **Keep Your Documents in Sync.** Once you've adopted the new plan document, make sure that the terms in both (i) the new summary plan description that is distributed to participants and (ii) the new plan administrative manual relied upon by your third-party administrator match the terms in your new plan document. If these documents do not align with the plan document, the result can be expensive administrative failures and misleading communications to participants that will require correction.

Before executing the new document, engage legal counsel or another skilled reviewer to conduct a detailed, line-by-line comparison of the old plan documents against the new plan documents to identify any differences, including differences in compensation, eligibility, vesting, and distribution options. Then verify that all elections accurately reflect the plan's current operations and intended design. Finally, maintain signed and dated copies of all plan documents and amendments (new and old), including the basic plan document. A little due diligence upfront can save significant headaches down the road.