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Reminder to Apply Defined Contribution Plan?Ã‡Ã–s Forfeitures

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Employers are reminded to ensure their defined contribution plan forfeitures are used or allocated in the plan year in which they arise and in a manner specified by the plan?ÃÃs terms. Plans may permit the use of forfeitures to reduce employer contributions or to pay reasonable plan administrative expenses. Some employers find it administratively difficult to use forfeitures to offset periodic employer contributions because it may involve a manual override to the automatic contribution feed to the plan?ÃÃs third-party administrator. In addition, some systems don?ÃÃt have a process in place to permit only a partial offset of company contributions for a particular period in some circumstances. The IRS reminded employers about this requirement a few years ago (see **here**) and made the following suggestions:

- No forfeitures in a suspense account should remain unallocated beyond the end of the plan year in which they occurred.
- No forfeitures should be carried into a subsequent plan year.

For those plans that use forfeitures to reduce plan expenses or employer contributions, there should be plan language and administrative procedures to ensure that current year forfeitures will be used up promptly in the year in which they arise or, in appropriate situations, no later than the immediately succeeding plan year.