

News

Correction of Missed Deferrals

ATTORNEYS & PROFESSIONALS

Elizabeth Thomas Dold

edold@groom.com

202-861-5406

David Levine

dlevine@groom.com

202-861-5436

PUBLISHED

07/15/2025

SOURCE

TAXES – The Tax Magazine

SERVICES

[Employers & Sponsors](#)

- [Fiduciary & Plan Governance](#)
- [Retirement Programs](#)

Compliance with a participant's deferral election is one of the most common failures that occurs with 401(k) and 403(b) plans. There can be any number of reasons why a plan sponsor has failed to comply with the participant's affirmative or automatic deferral election. Perhaps the plan is not using the correct definition of compensation or is excluding employees that are eligible to participate in the plan (e.g., long-term part-time employees, transferred employees, newly acquired employees, already satisfied eligibility requirements, etc.). Regardless of the reason, if the plan sponsor (or recordkeeper) fails to provide the applicable deferral rate to the eligible compensation, this results in an operational failure for failure to follow the terms of the plan and raises plan qualification concerns if the error is not corrected.

In this *TAXES – The Tax Magazine* article, "Correction of Missed Deferrals," Groom principals [Elizabeth Thomas Dold](#) and [David Levine](#) cover correcting missed deferrals in 401(k) and 403(b) plans, highlighting available correction methods, recent regulatory clarifications, and key considerations for plan sponsors.

To read the article, [click here](#).