EMPLOYEE FIDUCIARY

Plan Establishment Kit

EMPLOYEE FIDUCIARY , LLC

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INTRODUCTION

Thank you for choosing Employee Fiduciary as your retirement plan provider.

To help simplify the plan establishment process, we are providing you with this Plan Establishment Kit. This guide outlines the necessary steps to achieve an orderly and timely setup of records and investments.

If you have any questions regarding the completion of this guide, please contact your Employee Fiduciary plan installation specialist.

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INSTALLATION CHECKLIST

While our job is to manage the installation process, we need help from you. A summary of your responsibilities is listed below.

Task:	Completed?
Provide completed Plan Establishment Kit	☐

The following sections require your completion (pages 4-14):

- ☐ **Company Profile**
- ☐ **Plan Profile**
- ☐ **Contact Information**
- ☐ **Plan Service Options**
- ☐ **Plan Investments (see spreadsheet)**
- ☐ **Bank Debit Authorization**
- ☐ **Plan Specifications Form**

Provide employee census via Excel spreadsheet	☐
Approve and execute new plan documents	☐
Schedule and hold enrollment meetings	☐
Distribute Summary Plan Description (SPD)	☐
Schedule payroll training/Upload first payroll together with EF	☐

INSTALLATION TIMETABLE

This table outlines the major tasks to be completed during the plan installation process: participant/trust account setup, document creation, investment selection, and participant enrollment. This table outlines responsible parties and offers an approximate timeline for completion. Startup plans take approximately 60 days to install.

	Account Setup	Document Creation	Investment Selection	Participant Enrollment
Step 1	Establish plan custodial account with trust company	Complete Plan Specifications Form	Select investment lineup	
Step 2		Complete new Plan Document	Confirm investment availability	
Step 3	Establish participant accounts on recordkeeping system	Review & approve new Plan Document	Provide enrollment materials	Schedule enrollment meetings
Step 4		Distribute Summary Plan Description (SPD) to participants		Hold enrollment meetings
Step 5	Conduct payroll training and upload 1st payroll			

(red box) = Responsibility of Plan Sponsor

(white box) = Responsibility of Employee Fiduciary

COMPANY PROFILE

COMPANY NAME: ____________________

ADDRESS: ____________________

CITY,STATE,ZIP: ____________________

PHONE: ____________________ **FAX:** ____________________

EMPLOYER EIN: ____________________ **FISCAL YEAR END (E.G., 12/31):** __________

PAYROLL SCHEDULE:

☐ Weekly ☐ Bi-Weekly ☐ Semi-monthly ☐ Monthly

BUSINESS ENTITY TYPE:

☐ C-Corporation ☐ S-Corporation ☐ Partnership ☐ Sole Proprietorship

☐ LLC ☐ Non-Profit ☐ Other ____________________

Please list owners and officers of Company - attach additional sheet if necessary (percentages should total 100%):

Name	% Owned	Family members employed	Relationship

Does any owner listed above (or any owner's spouse) have an ownership interest in another company? If yes, please complete the following section. This information will be used to help determine your company's Controlled Group status:*

Name	Company Name	% Owned

**A Controlled Group is a group of business entities that have certain forms of common ownership. This can include sole proprietorships, partnerships, LLCs or other corporations. When a Controlled Group exists, all employees of all entities are treated as employed by a single employer for plan qualification purposes.*

PLAN PROFILE

PLAN NAME: ____________________

FIDELITY BOND:

Under ERISA, a fidelity bond must be obtained and maintained to protect plan assets from misuse or misappropriation by the plan fiduciaries. The fidelity bond must be at no less than 10% of plan assets with a minimum of $1,000 and a maximum of $500,000. If the plan does not yet have a bond, please obtain one. If the plan does have a bond, please provide the following information:

Bond carrier: ____________________ Bond amount: ____________________

PLAN SPONSORSHIP:

Will this plan be co-sponsored by another company? A co-sponsor is another employer whose employees are allowed to participate in your plan and who is not the plan sponsor listed in the Company Profile. If yes, please list any plan co-sponsor(s):

Company Name	EIN

OTHER RETIREMENT PLANS:

Does your company sponsor another qualified retirement plan? If yes, please provide the following information:

Plan Name	Plan Type

CONTACT INFORMATION

DAILY CONTACT

Name: ______________________ Title: ______________________

Phone Number: ______________________ Email: ______________________

Additional Role(s): ☐ Primary Authorized Signer[(1)] ☐ Secondary Authorized Signer[(2)] ☐ Payroll Contact[(3)]

Sponsor Website Access: ☐ Full ☐ Limited[(4)] – No Participant Level Access

ADDITIONAL CONTACTS

Name: ______________________ Title: ______________________

Phone Number: ______________________ Email: ______________________

Additional Role(s): ☐ Primary Authorized Signer[(1)] ☐ Secondary Authorized Signer[(2)] ☐ Payroll Contact[(3)]

Sponsor Website Access: ☐ Full ☐ Limited[(4)] – No Participant Level Access

Name: ______________________ Title: ______________________

Phone Number: ______________________ Email: ______________________

Additional Role(s): ☐ Primary Authorized Signer[(1)] ☐ Secondary Authorized Signer[(2)] ☐ Payroll Contact[(3)]

Sponsor Website Access: ☐ Full ☐ Limited[(4)] – No Participant Level Access

[(1)]*The Primary Authorized Signer is the person authorized to sign legal documents on behalf of the Plan Sponsor, including the Form 5500, and approve participant loan requests made online. The plan can only have one Primary Authorized Signer. The Primary Authorized Signer will automatically have full access to the secure portal.*

[(2)]*The Secondary Authorized Signer is an additional person authorized to sign legal documents on behalf of the Plan Sponsor. This person cannot approve loan requests.*

[(3)]*The Payroll Contact is the person Employee Fiduciary will contact for payroll related issues and will upload 401(k) plan contributions via our website.*

[(4)] *Users with limited access will not have access to participant level records.*

PLAN SERVICE OPTIONS

PARTICIPANT STATEMENT PREFERENCES *(choose one)*

☐ Standard – Online with email reminders

Quarterly statements are posted to participant's account on the web. Participants with valid email addresses also receive email notification that their quarterly statement has been posted to the web. Participants are responsible for maintaining valid email addresses.

☐ Paper statements mailed to all participants.

Mailed statements are $1.50 each, subject to postal rates.

INVOLUNTARY CASH-OUT THRESHOLD *(for terminated participants)*

☐ $1,000 or ☐ $5,000

Involuntary cash-outs in excess of $1,000 must be rolled into an IRA on behalf of the participant. If limit chosen is greater than $1,000, plan sponsor must execute an "IRA rollover" services agreement.

SELF-DIRECTED BROKERAGE ACCOUNTS

Will plan investment options include self-directed brokerage accounts (SDBAs)? ☐ Yes ☐ No

Participants with SDBAs will be charged $100 per year by Employee Fiduciary, in addition to account maintenance fees and trading costs charged by the brokerage firm, TD Ameritrade. If recordkeeping or advisory fees are paid from plan assets, it will be the plan sponsor's responsibility to ensure all SDBAs maintain the cash balance necessary to pay these fees.

PLAN INVESTMENTS (see spreadsheet)

INVESTMENT LINEUP

Please select the Plan's investment lineup using the spreadsheet provided to you. You may choose up to 40 investments. If any of your selections are unavailable we will notify you and allow you to choose replacement investments.

DEFAULT FUND

Please indicate your plan's default investment selection on the spreadsheet. You may choose a single default investment that will apply for all participants without investment elections, or a series of investments (such as target date funds) based on the employees' birth-dates. If the second option is chosen, you must also provide instructions to map each default investment choice to a birth-date range.

FORFEITURE FUND

Please indicate your plan's forfeiture account investment selection on the spreadsheet. The forfeiture fund is how money forfeited from non-vested accounts will be invested. Forfeitures should be invested in a cash equivalent fund such as a money market.

BANK DEBIT AUTHORIZATION

To achieve quick and accurate contribution processing, Employee Fiduciary uses an automated process to fund payroll contributions via Automated Clearing House (ACH).

Please complete the Account information section below to provide Employee Fiduciary with information about the bank account to be used to fund contributions. Please authorize Employee Fiduciary to ACH this account by completing the Company Authorization section.

ACCOUNT INFORMATION

Name on Account: ______________________________

Bank Name: ______________________________

Bank Address: ______________________________

City, State, Zip: ______________________________

Type of Account: ☐ Checking ☐ Savings

ABA Routing Number: ______________ Account Number: ______________________

COMPANY AUTHORIZATION

As an authorized signer for the Plan, I hereby authorize the plan custodian to transfer funds from the bank account below via Automated Clearing House (ACH). The transferred amounts reflect contributions and applicable loan payments to the plan as indicated on payroll contribution file sent to Employee Fiduciary. We agree to maintain a sufficient balance to cover such transfers. This also provides authorization to credit amounts to this account, should there be a need for adjustment or entry correction. This authorization will remain in effect until canceled in writing

____

Signature of Plan Trustee or Authorized Person Date

____

Printed Name Title

PLAN SPECIFICATIONS FORM

Please refer to the PLAN DESIGN CONSIDERATIONS section of this form for more information about design options.

A. GENERAL INFORMATION

Plan Effective Date: ____________________ **Plan Year-End:** ________________

Plan Effective Date will affect plan compensation for the 1st plan year. For example: if a calendar year plan selects a January 1, 2012 effective date, contributions will be calculated based on full 2012 compensation. If a mid-year date is elected, contributions will be based on pro-rated compensation

Type of Plan:

☐ 401(k) Plan ☐ 403(b) Plan ☐ 457(b) Plan

Plan Features:

☐ Pre-tax Deferrals ☐ Roth Deferrals ☐ Safe Harbor ☐ Match

☐ Profit Sharing

B. ELIGIBILITY

Service Requirement:	**401(k)/ Safe Harbor**	**Match**	**Profit Sharing**
One Year of Service	☐	☐	☐
None	☐	☐	☐
Other______________	☐	☐	☐
Age Requirement:			
Age 21	☐	☐	☐
None	☐	☐	☐
Other______________	☐	☐	☐
Entry Dates:			
Semi-annual	☐	☐	☐
Quarterly	☐	☐	☐
Monthly	☐	☐	☐
Immediate	☐	☐	☐
Other______________	☐	☐	☐

Will plan waive above-selected eligibility provisions for ALL employees employed on a particular date?

☐ No ☐ Yes If Yes, enter special effective date:____

Will an employee have to work 1,000 hours in order to be credited with one year of eligibility service?

☐ No ☐ Yes

Excluded Employees:

☐ None ☐ Union Employees ☐ Nonresident Aliens

☐ Leased Employees ☐ Other____

C. COMPENSATION

Plan compensation shall mean wages and other payments for which the employer must file a Form W-2, except:

☐ Fringe Benefits ☐ Post-Severance[1] ☐ Other[2]

[1]"Post-severance" compensation is unused sick, vacation, or other leave paid within the 2½ months following date of termination.

[2]Safe harbor 401(k) plans and plans containing an "integrated" profit sharing formula cannot elect this option. Other plans may be subject to special "IRC 414(s)" testing annually to test plan compensation definition for nondiscrimination (additional fees apply).

For an employee's first year of participation, this compensation shall be recognized from:

☐ The first day of the plan year ☐ The day the employee is eligible to enter the plan

D. EMPLOYEE CONTRIBUTIONS

401(k) Deferral limit is ______% of included compensation. *If percentage is not indicated, 401(k) deferrals will be limited by the IRS limitations only. Limit also applies to Roth Deferrals (if applicable).*

An employee may start or modify a 401(k) deferral election on the following frequency:

☐ Per Payroll ☐ Monthly ☐ Quarterly ☐ Semi-annually

Will plan provide for automatic enrollment? ☐ No, if no skip to section E ☐ Yes

Automatic enrollment default percentage: _____% (minimum 3%)

Is feature to qualify as a QACA? ☐ No ☐ Yes

What is default escalation schedule:________________________________

What is vesting schedule? ☐ 100% immediate ☐ 2-year cliff

E. SAFE HARBOR CONTRIBUTIONS

Effective date of safe harbor feature: ☐ Plan Effective Date ☐ Date _______________

Safe harbor effective date will affect plan compensation for the 1st plan year. For example: if a calendar year plan selects a January 1, 2012 effective date, safe harbor contributions will be calculated based on full 2012 compensation. If a mid-year date is elected, safe harbor contributions will be based on pro-rated compensation.

Choose one of the two safe harbor contribution options below:

☐ Safe Harbor Matching Contribution – choose only one of the three following options:

☐ Basic formula: 100% of applicable contributions up to the first 3% of Compensation, plus 50% of applicable contributions up to the next 2% of Compensation

☐ Enhanced Formula: _______% of applicable contributions up to ______% of Compensation

☐ QACA formula: 100% of applicable contributions up to the first 1% of Compensation, plus 50% of applicable contributions up to the next 5% of Compensation (QACA plans only)

The Safe Harbor matching contribution formula elected above is applied separately for each:

☐ Per Payroll ☐ Monthly ☐ Quarterly ☐ Annually

☐ Safe Harbor Non-Elective Contribution

________% (no less than 3%) of included compensation

F. MATCHING CONTRIBUTIONS

The employer match will be: ☐ Discretionary ☐ Fixed (i.e. Required)

If fixed, describe match formula: _______% of 401(k) up to _______% of Compensation

Matching Contributions will be allocated to participant accounts at the following time(s):

☐ Per Payroll ☐ Monthly ☐ Quarterly ☐ Annually

Allocation restrictions (if applicable) – check either a or b and/or c:

☐ a. An employee must be employed with the employer on the last day of the plan year OR must have more than 500 hours of service for the plan year,

or

☐ b. An employee must be credited with at least _________hours of service (may not exceed 1,000) during the plan year

☐ c. An employee must be employed with the employer on the last day of the plan year

*Note: If any of the above are checked, the employer match must be funded annually (not per payroll). If the plan is a safe harbor 401(k) plan any allocation restriction will subject **ALL** matching contributions to non-discrimination testing.*

G. PROFIT SHARING CONTRIBUTIONS

The Profit Sharing contribution will be: ☐ Discretionary ☐ Fixed (i.e. Required)

The Profit Sharing formula will be:

☐ Pro Rata ☐ Integrated (integration level will be _____________% of SSA Taxable Wage Base)

☐ New Comparability – one group per participant (additional fees apply)

Profit Sharing Contributions will be allocated to participant accounts at the following time(s):

☐ Per Payroll ☐ Monthly ☐ Quarterly ☐ Annually

Allocation restrictions (if applicable) – check wither a or b and/or c:

☐ a. An employee must be employed with the employer on the last day of the plan year OR must have more than 500 hours of service for the plan year,

or

☐ b. An employee must be credited with at least _________hours of service (may not exceed 1,000) during the plan year

☐ c. An employee must be employed with the employer on the last day of the plan year

Note: If any of the above are checked, the Profit Sharing must be funded annually (not per payroll). If the plan is a safe harbor 401(k) plan, no restrictions on discretionary match should apply.

H. RETIREMENT AGE

The plan's Normal Retirement Age (NRA) will be:

☐ Age 65 ☐ Age______ ☐ Age ______ and ______ years of participation

I. VESTING

Employer contribution vesting schedule(s):	Match	Profit Sharing
100% Immediate	☐	☐
3-Year Cliff (1-2 yrs = 0%, 3yrs = 100%)	☐	☐
6-Year Graded (20% each yr after 2 yrs)	☐	☐
Other (note schedule below)		
1 Year ________% 4 Years________%	☐	☐
2 Years________% 5 Years________%		
3 Years________% 6 Years________%		

Will the following service be excluded for vesting purposes?

Service before the original effective date of this plan ☐ No ☐ Yes

Years of service before the employee's 18th birthday ☐ No ☐ Yes

Special 100% vesting – an employee's vested percentage is increased to 100% if the employee:

☐ Dies ☐ Becomes disabled

J. DISTRIBUTIONS

Will the lump sum form of distribution be the plan's sole form of distribution?

☐ No ☐ Yes

If no, optional forms available: ☐ Partial payments ☐ Installments

Are Hardship withdrawals permitted? ☐ No ☐ Yes

Sources Available: ☐ All *(excludes safe harbor)* ☐ Employee contributions only

Are In-Service withdrawals permitted? ☐ No ☐ Yes

Age: ☐ 59 ½ ☐ NRA ☐ Age_______

Sources Available: ☐ All ☐ Employee contributions only

K. LOANS

Will Plan permit loans? ☐ No ☐ Yes

Maximum number of loans permitted? ☐ One ☐ Other__________

Loan repayments are deducted by payroll deduction and remitted along with payroll contributions.

PLAN DESIGN CONSIDERATIONS

This form describes important considerations when choosing amongst the various options contained on the Plan Specifications Form.

A. GENERAL INFORMATION

Plan type and plan features are elected in this section. A 401(k)/Profit Sharing plan can be sponsored by private or tax-exempt organizations. A 403(b) plan can be sponsored by tax-exempt or public education organizations. A 457(b) plan can be sponsored by tax-exempt or certain government organizations.

If a plan feature is selected here, the applicable section of the Plan Specifications Form must also be completed. For example, if safe harbor is elected, the safe harbor section of the Plan Specifications Form must also be completed.

B. ELIGIBILITY

Employers may allow new employees to enter the plan immediately on hire or wait and set minimum age requirements. Employers may also limit plan entry dates to monthly, quarterly, or semiannual windows. Generally, employers with transient work force favor more restrictive eligibility requirements.

The law permits you to exclude union and nonresident alien employees from your plan without issue. You can exclude other classes of employee, but only if these classes do not exceed 30% of your workforce.

C. COMPENSATION

The law permits you to exclude certain types of compensation for plan purposes without issue, including compensation earned prior to plan entry and fringe benefits. You can exclude other types of compensation (bonuses, overtime, etc), but these exclusions will subject the compensation definition to special annual testing (additional fees apply).

D. EMPLOYEE CONTRIBUTIONS

401(k) deferrals are pre-tax contributions made to a plan at the election of an employee, in lieu of receiving such amounts as cash compensation. Roth deferrals are similar to 401(k) deferrals, only they are contributed by employee on an after-tax basis.

An automatic enrollment feature allows an employer to enroll employees in a 401(k) plan without the employees' affirmative election, as long as the employees have the right to “opt out” of contributing or change the amount of automatic deferral. Adding an automatic enrollment feature to a 401(k) plan generally increases the level of employee participation in the plan.

A Qualified Automatic Contribution Arrangement (QACA) is special type of automatic enrollment feature that also satisfies safe harbor contribution requirements (see Safe Harbor Contributions).

E. SAFE HARBOR CONTRIBUTIONS

A safe harbor 401(k) plan is a type of 401(k) that automatically satisfies ADP/ACP testing requirements. A safe harbor 401(k) plan will also automatically satisfy top heavy minimum contribution requirements for a year in which the only contributions made to the plan are elective deferrals (pre-tax or Roth) and safe harbor contributions (i.e., no profit sharing contributions).

Eligible safe harbor contributions include:

- 4% matching contribution
- 3.5% matching contribution (QACA safe harbor plans only – see Employee Contributions section)
- 3% non-elective contribution

These contributions are non-discretionary (required) contributions. They must be subject to 100% vesting and not be subject to any allocation conditions.

F. MATCHING CONTRIBUTIONS

The plan may provide for a matching contribution based on the elective deferrals made by participants. The matching formula also may be discretionary, so that the employer will determine each year what the rate of match should be.

The following factors might be taken into consideration in designing a matching contribution formula: (1) whether the employer wants discretion in setting the amount each year, (2) whether the formula should be tiered (i.e., a different rate of match for different levels of elective deferrals), and (3) whether the amount of the match should be capped to a specific percentage of compensation or a specific dollar amount.

If the match is funded after the close of the year, the plan can require participants to satisfy certain allocation conditions in order to receive a contribution. For example, the plan can require participants to work a certain number of hours during the plan year (up to 1,000 hours) and/or be employed on the last day of the year.

G. PROFIT SHARING CONTRIBUTIONS

A key advantage of a profit sharing contribution feature is that the employer can have flexibility in determining its annual contribution to the plan because of the ability to use a discretionary contribution formula. This way the employer is able to contribute more in years of high profitability, and to contribute less when business is not as good, without having to amend the plan's contribution formula.

There are three principle profit sharing allocation formulas:

- Pro rata – allocates a uniform contribution percentage amongst participants
- Integrated – provides a greater allocation on compensation earned in excess of the “integration level” (usually the Social Security taxable wage base)
- New Comparability – permits different allocation rates based on employee class assuming nondiscrimination testing is passed

If the profit sharing is funded after the close of the year, the plan can require participants to satisfy certain allocation conditions in order to receive a contribution. For example, the plan can require participants to work a certain number of hours during the plan year (up to 1,000 hours) and/or be employed on the last day of the year.

H. RETIREMENT AGE

At normal retirement age, participant accounts become immediately 100% vested. The maximum retirement age allowed by law is the later of 1) age 65 or 2) 5th anniversary of plan participation. The most commonly used retirement age is 65.

I. VESTING

401(k) and most safe harbor contributions must always be 100% immediately vested. Other contributions may be subject to a vesting schedule. When a participant terminates, they are only entitled to the vested portion of their account balance. Any unvested portion of their account must be forfeited to the plan. The plan can use these forfeitures to pay plan expenses or reduce future employer contributions. Generally, employers with transient work force favor lengthier vesting schedules in order to use forfeitures.

J. DISTRIBUTIONS

Often, plans only will only permit the lump sum form of distribution when a participant separates from service and is entitled to a distribution. Under the lump sum option, a participant must take their entire vested account balance in a single distribution. Other distribution forms available include installment payments and partial payments.

The plan can permit a participant to take a distribution while still employed. These are called “in-service” distributions. These distributions can be available upon the attainment of a certain age (59 ½ or greater) or a “hardship” event. Eligible hardship events are defined by the law.

The plan may permit the involuntary cash-out of small account balances. Balances under $1,000 may be distributed in cash to the participant. Balances under $5,000 may be involuntarily rolled into an IRA for the benefit of the participant.

K. LOANS

The employer can allow or disallow loans. Loans are often very popular with employees but add administrative complexity for the employer, who often must sign off on loan requests.