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 tabl e outlines responsible parties and offers an approximate timeline f or completion. Startup plans take approximately 30 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 menu	
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			

= Responsibility of Plan Sponsor (shaded boxes: Complete Plan Specifications Form; Select investment menu; Review & approve new Plan Document; Schedule enrollment meetings; Distribute Summary Plan Description (SPD) to participants; Hold enrollment meetings)

= Responsibility of Employee Fiduciary (unshaded boxes)

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.